

Mafube Local Municipality

2013/14 Annual Report



ACKNOWLEDGEMENTS

This annual report is published by the Mafube Local Municipality. It reviews all activities of the municipality for the period July 2013 to June 2014. Every effort has been made to ensure that the facts are correct.

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FOREWORD BY THE MAYOR



It is again a pleasure and a privilege for me as the Mayor to present this Annual Report of Mafube Local Municipality for the 2013/2014 financial year to the Council, the broader community as well as our many stakeholders and partners with whom we continue to work towards our collective goal of creating a viable, developed and sustainable municipality

The intention of this report remains to provide an easily readable and summarized statement of Mafube Local Municipality's progress towards the targets set in its 5 year over-arching Integrated Development Plan as informed by the broader vision Of the National Development Plan

The achievement of service-delivery targets and deliverables is required to be viewed together with the municipality's financial performance and our compliance with the whole suite of municipal legislative framework

This report is therefore intended to attest to the collective efforts of the municipal administration and the Council to progressively address the expectations of our people consistent with the electoral mandate of 2011.

We have endeavoured in our operations to address the expectations of our communities as expressed throughout the consultative public meetings platforms which we convene from time to time key amongst which is the Mayoral Izimbizo programme meetings.

Notwithstanding the progress made in number of fronts, much more still need to be done in particular in relation to the bulk infrastructure, e.g roads, housing, water, sanitation and electricity. Of course, we are mindful of the fact that some of the Infrastructure backlog is as a result of historical legacy that will be eradicated over time.

Be as it may with little resources at our disposal, our successes are real and measurable and that our achievements remain a source of pride to us.

Given the socio-economic conditions of our communities, many of our people are unable to fully fund the education of their children beyond the high school level. As a municipality, we continue to put aside financial resource on education as apex priority in our country to take our learners to various higher education institutions. This initiative has seen many of our young people who otherwise would have not, accessing universities and getting a life time opportunity to change the fortunes of their lives and that of their families.

In our quest to promote cooperation and joint planning with different sectors, in the year under review, we have convened the all farmers imbizo amongst others to engage our farmers on issues of mutual interest. We will continue to create platforms with different sectors to promote mass participation culture amongst our people.

To promote good governance, we continue to strengthen our ward committees to ensure maximum participation of our communities and to put our people at the centre of all reconstruction and development planning but most importantly to enhance the culture of accountability amongst public representatives.

We believe that this Annual Report highlights a large number of the positives that exist in the Mafube Local Municipality that, if viewed objectively, should give our people a sense of hope and optimism that we remain steadfastly committed to achieving our vision of building a viable, developed and sustainable municipality sooner rather than later.

I trust that every person who goes through this report and study its contents from a balanced and fair perspective will concur with our accession when we say, "we are turning the wheels of local government"

I look forward together with Executive Committee, the whole Council and the municipal administration, to continuing to work for the building of a transformed Mafube Local Municipality in which our vision will be a practical reality.

I am positive that the future of Mafube Local Municipality holds the promise of a better life for all who may wish to work and live here. VUKUZENZELE

Councillor JE Sigasa
Mayor

OVERVIEW BY THE MUNICIPAL MANAGER



The Municipal Finance Management Act (MFMA) 2003 enjoins every municipality and every municipal entity to prepare an Annual Report for each financial year; therefore this Annual Report seeks to:

- Provide a record of the activities of the municipality.
- Provide on the performance in service delivery and budget implementation.
- Provide accountability to the local community.

Further, the MFMA requires the municipality to report on all aspects of performance, providing a true, accurate and honest account of the goals set by Council. This information should be reflected in the Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP).

The Annual Report is a key performance report to the community and other stakeholders, which once approved by Council, will be availed to them.

It is in the spirit of governance by the people that we deliver this Annual Report to the people of Mafube Local Municipality. This document intends to inform the community of Mafube Local municipality of the objectives and plans to which we have committed in human and financial resources against the outcomes as reported in this report.

Mafube Local Municipality has continued to focus on infrastructure maintenance and development, financial viability, good governance, job creation and economic development.

In spite of continued rates and taxes collection struggle by our financial services section, the municipality has continued to provide clean drinking water as well as collecting house and business refuse.

The Audit outcome came out adverse, this, continues to remain a daunting challenge to all staff.

Just after the start of the new financial year we sadly lost Mr. Mhlophe Saul Malindi, who was Director Public Safety and Service Delivery, the situation then led us to appoint a fellow colleague in an acting capacity.

Let me also take the time to send our condolences to all families that lost their loved ones and wish all of those that celebrated engagements as well as committing to married life.

I wish to thank the Mayor, Speaker and all Councillors for the continued support in all the challenges that we have faced.

It is our wish to uphold the Constitution and invite all stakeholders to be part of this forever challenging journey in the Government's quest to change the lives of the people.

Municipal Manager
Puseletso Isaac Radebe

CHAPTER 1: MUNICIPAL OVERVIEW

■ Introduction

The Mafube Local Municipality is one of the local municipalities located within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort, serves as a home for the headquarters of the municipality.

Loosely defined, Mafube is a South Sotho word for 'a place of dawn'.

1.1 The Municipality

Mafube Local Municipality, like other municipalities in South Africa is an organ of state that is made up of Council, Administration and the Community. Each of these components work cooperatively in an interrelated and interdependent manner and each has organised structures.

1.2 Council and Council Committees

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The Mayor has certain legislative and delegated

powers and appoints members of the Executive Committee in terms of sections 60 and 80 of the Municipal Structures Act, 1998. The Executive Committee is accountable and reports to the Municipal Council. The Council also has Portfolio Committees to oversee execution of various municipal functions and programmes. So in essence the Council has the following structures to provide political oversight over municipal programmes and these are:

- ◆ Municipal Council
- ◆ Executive Committee
- ◆ Portfolio Committees

Council

The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors. The following political parties are represented in the Council:

- ◆ African National Congress (ANC) 12
- ◆ Democratic Alliance (DA) 3
- ◆ Congress of the People (COPE) 2

Mafube Local Municipality performs the following powers and functions in terms of the constitution:

Category B Functions	Category C Functions	Provincial and National
Local Municipality	District Municipality	Provincial Government
Air pollution	Refuse removal and solid waste	Libraries
Building regulations	Municipal roads	Housing
Bill boards and display of advertisements	Municipal airports	
Storm water	Fire fighting	
Trading regulations	Markets	
Cleansing	Cemeteries	
Facilities, accommodation and burial of animals	Municipal public works	
Fencing and fences	Electricity regulation	
Local sport facilities	Municipal health	
Municipal parks and recreation	Storm water	
Municipal planning	Potable water	
Municipal public transport	Sanitation	
Municipal roads	Licensing	
Public places and local amenities		
Street lighting		
Traffic and parking		
Licensing of dogs		

Below is a list of Councillors making up the Council of Mafube Local Municipality:

Name	Party	Ward	Proportional Representative
Jabulane Elliot Sigasa	ANC	1	
Mildred Molo	ANC		PR
Jabulane Jan Hlongwane	ANC	2	
Fusi Petrus Motloun	ANC	3	
Madise Andries Mosia	ANC	4	
Johannes Jacobus Pretorious	DA	5	
Matsatsi Mofokeng	ANC	6	
Undikho Christopher Jafta	ANC	7	
William Caravan Motloun	ANC	8	
Lucky Simon Kubeka	ANC	9	
Malesell Sarah Sekhoto	ANC		PR
Nokuvuna Rakoloti	ANC		PR
Puleng Maria Monaune	ANC		PR
Marchand Casper du Plessis	DA		PR
Shoeshoe Adel Mosia	DA		PR
Peter Motloun	COPE		PR
Miriam Hadebe	COPE		PR

Executive Committee

The Council established an Executive Committee that comprises the following members to provide leadership to the administration between Council meetings:

Name	Designation
JE Sigasa	Chairperson and Finance Committee
MA Mosia	Community and Corporate Services
M Du Plessis	-

Portfolio Committees

The municipality also established Portfolio Committees to provide oversight over programmes of various municipal Directorates. The following are Portfolio Committees established by the municipality:

Portfolio Committee: Corporate Services

- ◆ Cllr W.C. Motloun as Chairperson
- ◆ Cllr P. Motloun

Portfolio Committee: Planning and Infrastructure

- ◆ Cllr L. Kubeka as Chairperson
- ◆ Cllr U.C. Jafta
- ◆ Cllr S. M. Mosia

Portfolio Committee: Community Services and Local Economic Development

- ◆ Cllr J.J. Hlongwane as Chairperson
- ◆ Cllr P. Monaune
- ◆ Cllr M. Mofokeng

Portfolio Committee: Finance

- ◆ Cllr F. Motloun
- ◆ Cllr M.C. du Plessis
- ◆ Cllr P. Monaune

- ◆ Cllr M. Mofokeng as Chairperson
- ◆ Cllr M. Sekhoto
- ◆ Cllr M. Hadebe

1.3 Municipal Administration

Mafube Local Municipality has a fully functioning administration headed by a Municipal Manager (Mr P. Radebe). The administration is organized into the following departments headed by Directors who are directly accountable to the Municipal Manager:

- ◆ Corporate Services, Mr N.E. Radebe;
- ◆ Community Services, Mr Z.E. Mofokeng;
- ◆ Financial Services, Mr N.A. Hlubi;
- ◆ Service Delivery and Public Safety; M.K.H. Tsotetsi (Acting);
- ◆ Planning and Infrastructure Services, Mr A.L. Mphuthi (Acting)

1.4 Community

In accordance with the applicable legislation requiring participation of communities in the affairs of the

municipalities, Mafube Local Municipality has established a number of structures and platforms for participation of communities. Over and above the participation of communities in Council meetings, the municipality has also established IDP Representative Forum that serves as a platform for community participation in the formulation and review of the IDPs of the municipality. In addition, the municipality has also established Ward Committees in all the 9 wards within its area of jurisdiction. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes.

The following are the Ward Committees established in various areas of the municipality and the members that constitute them:

Ward 1

Name & Surname		
JE Sigasa		
Skosana Puleng Selina	Social Affairs	Mokaba Village
Molefe Puseletso Frans	Agriculture	Mokaba Village
Tsotetsi Tryphina Khozi	Projects	Magashule Section
Sibeko Nthabiseng Topsy	Education & Human Development	Tholulwazi Section
Mashinini Jabulani Johannes	Faith Based & Traditional Healers	Tholulwazi Section
Sekhoto Nthabiseng Jemina	Sports & Recreation	Mokaba Village
Makhubo Jacob Vusi John	Local Farms & Transport	Palmer Street

Ward 2

Name & Surname	Sector Representation	Area
Cllr JJ Hlongwane		
Mofokeng Mpuse Maria	Governance	Mamello Section
Mashinini Sonto Sarah	Home Affairs	Seabata Section
Khanye Modiehi Alina	Social Development	Seabata Section
Mosikidi David	Education & Human Development	Sunrise Section
Mokoena Maria	Health	Seabata Section
Gumede Elizabeth Sonto	Sports & Recreation	Mamello Section
Mofokeng Alina	Youth Development	Sunrise Section
Dladla Mziwakhe		Sunrise section
Shabalaia Sonto		Sunrise section

Ward 3

Name & Surname		
Cllr FP Motloung		
Xaba Nomacala Julia	Ward Committee Secretary	Molamodi Str, Qalabotjha
Khanye Authority	(Ward Committee Deputy sec) Youth, Sports, Arts & Recreation	Ext 6, Qalabotjha
Mokoena Ntswaki Lucy	Social Development	Ext 3, Qalabotjha
Rutse Malefu Elsie	Housing and Infrastructure	Ext 3, Qalabotjha
Thusi Nunu Martha	Health and Well being	Ext 3, Qalabotjha
Maduna Beigi Simon	Safety & Security	Thuthukani Str, Qalabotjha
Motsoeneng Victor Lehana	Communication & Education	
Ndaba Velaphi	Community Service	
Mokoena Tselane	Local Economic Development	

Ward 4

Name & Surname	Sector Representation	Area
Cllr MA Mosia		
Gamede Johannes Cishimpi	Infrastructure	Extension 6
Msimaka Lucas Buti	Education	Tshabalala Street
Mokoena Dikeledi Kate	Youth Development & Sports	
Mthembu William Patrick	Agriculture	Molope Street
Leotlela Elizabeth	Religion & Traditional Affairs	Koenig Street
Tsotetsi Jemina	LED & Businesses	Mapena Street
Mokuene Rampou Phillmon	Safety and Security	
Mahlophe Mahlopheho	Secretary	Dimaza Street

Ward 5

Name & Surname		
Cllr JJ Pretorius		
Modise Emily Sussy	Secretary	Mamello Section
Matsole Emely Mamohau	Infrastructure	Mamello Section
Mamotsheare Mphuthi	Health and Social Development	Mamello Section
Mahlamba Mziwakhe Thomas	Safety and Security	Frankfort
Ben De Klerk	Agriculture	Frankfort
Johan Urgerer	Religion and Traditional Affairs	Frankfort
Kgauta Majola	Education and Communication	Butayi Section
Jerminah Khumalo		Butayi Section

Ward 6

Name & Surname		
Cllr M Mofokeng		
Mofokeng Dibuseng Merriam	Sports & Recreation	Butayi Section
Khambule Aletta Buyisiwe	Safety & Security	Butayi Section
Moshodi Lebono John	Safety & Security	Butayi Section
Makhotsa Ntombizodwa Tryphine	Health & Well Being	
Mokoena Dinah Molebollo	Social Development	Butayi Section
Mazibuko Lefina Mashembe	Sports & Recreation	Sunrise Section
Motaung Thandiwe Evelyn	Social Development	

Ward 7

Name & Surname	Sector Representation	Area
Cllr UC Jafta		
Skosana Maria Maleki	Health & Wellbeing	Phahameng Section
Masiteng Nomakhubo Emma	Secretary	Phahameng Section
Nkutha Zandile Tryphina	Social Development	Phomolong Section
Motsima Malefa Mabel	Social Development	Phahameng Section
Tshabalala Mthandeki Prinse	LED	Phahameng Section
Mokoena Evelina Maleqhoa	Health & LED	Phahameng Section
Moloi Mathoto Maria		
Motaung Helepi Paulina		

Ward 8

Name & Surname		
Cllr WC Motloung		
Mazibuko Simon Lekgotla	Sports & Recreation	Mokoena Section
Miya Norah Nondlela	Disabilities, Old Aged & Orphans	10th Street
Mokoaqatsa Tiisetso	Home Affairs	Winnie Mandela
Mofokeng Joyce Jwalane	Health & Well being	Extension 1
Jokanisi Bricks Bulisile	Projects	Mzizi Street
Skosana William Mohobelo	Education & Human Development	Tsoku Street
Motaung Elizabeth	Police & Transport	Winnie Mandela
Dlamini Rosie Hluphekile	Agriculture	Chris Hani

Ward 9

Name & Surname	Sector Representation	Area
Clir LS Kubeka		
Kubeka Mampela Ema	Health & Social Development	Extension 4
Molefe Anna Ntaoleng	Infrastructure	Extension 4
Zimu Abraham	Agriculture	Tshabalala Street
Morajane Papa	Sports	
Motaung Mmalefu Liesbeth	Religion & Traditional Affairs	Extension 3
Tsotetsi Lebona		Extension 3
Moremi Elizabeth		Extension 3

1.5 Geographic profile

The Mafube Local Municipality is situated in the far eastern end of the Fezile Dabi region. The municipality covers a total of 21,5% of the total area of Fezile Dabi region. The municipality is made up of four main towns, namely; Frankfort, Villiers, Cornelia and Tweeling.

Frankfort, which serves as headquarters for the municipality, is situated 55 kilometres east of Heilbron and approximately 120 kilometres south east of Sasolburg.

Villiers is situated at the banks of the Vaal River, adjacent to the N3 National Road linking Gauteng to KZN. The town is located about 120 kilometres from Johannesburg, 80 kilometres from Vereeniging and 117 from Sasolburg.

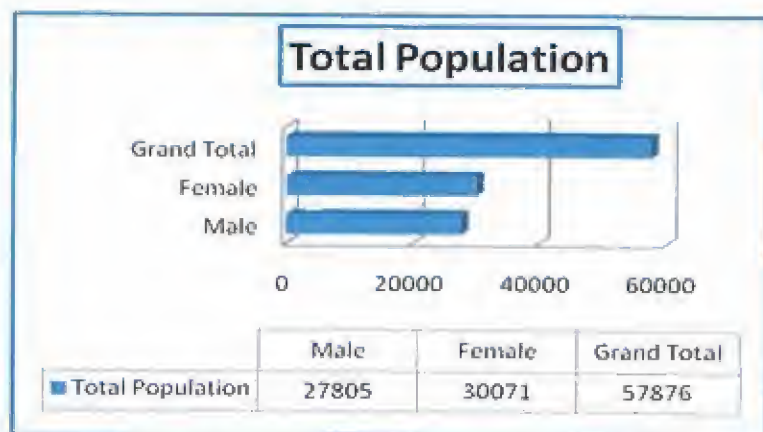
Cornelia is situated about 157 kilometres east of Sasolburg and 36 kilometres south east of Villiers. The town is also adjacent to the R103 road between Warden and Villiers.



Finally, Tweeling is situated about 150 kilometres east of Sasolburg and is within 160 kilometres of major urban centres like Vereeniging and Vanderbijlpark.

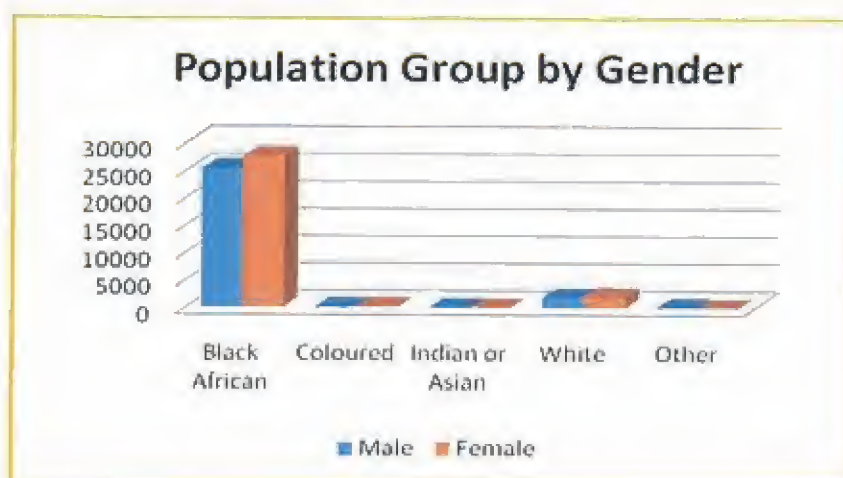
1.6 Demographic profile

The recent 2011 Census states that Mafube has a population size estimated at 57876. The population of the whole of Mafube is broken down as shown in the following figures:



Census as at 2011

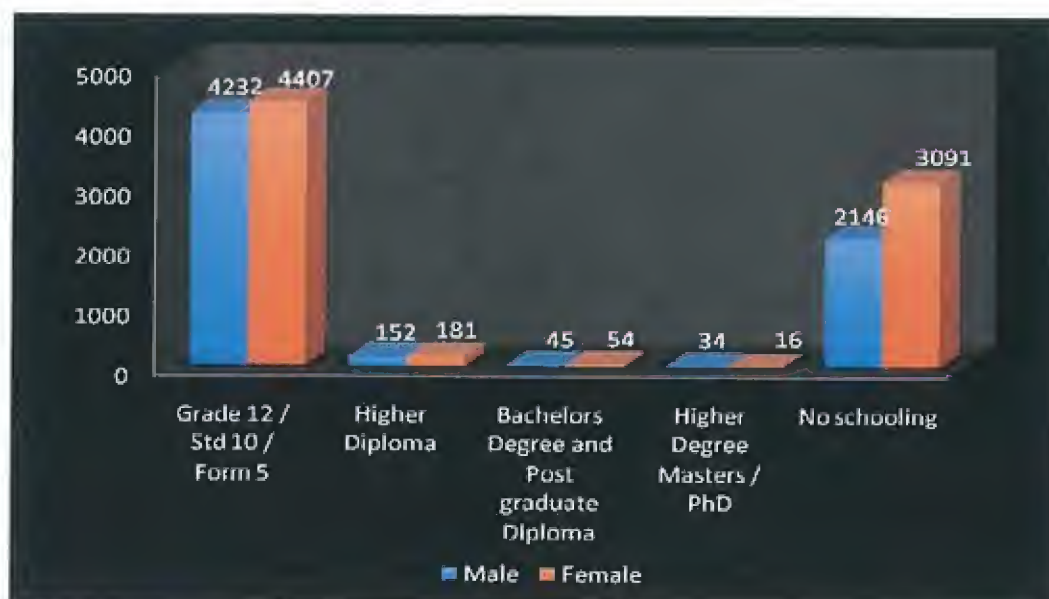
Figure 1.6.2 Population Group by Gender



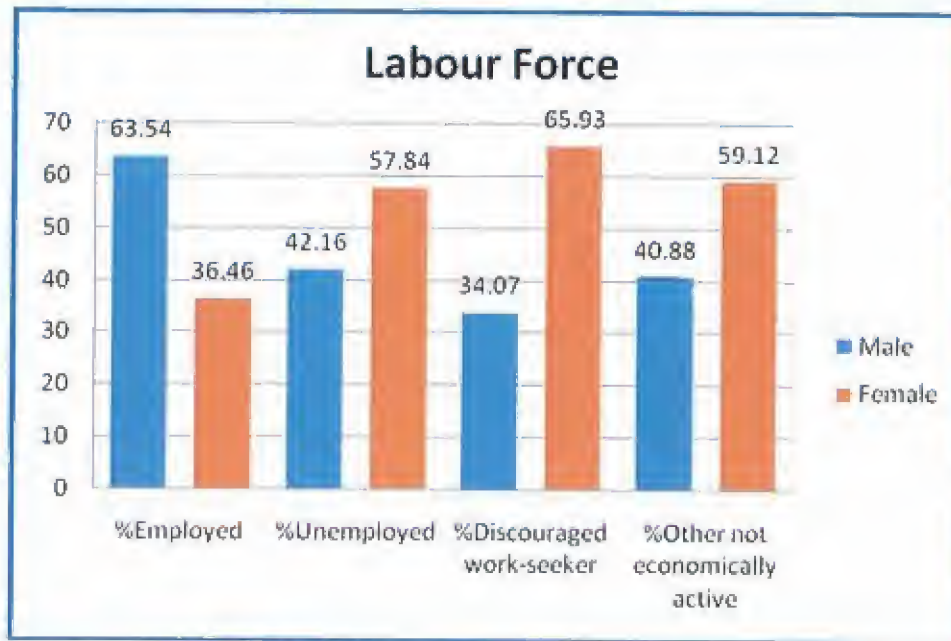
Census as at 2011

1.7 Employment and Education profile

Figure1.7.1 Gender by highest education level



Figure; Labour force



Census as at 2011

1.8 Municipal Services profile

MUNICIPAL CODE		HOUSEHOLD SERVICES						
FS 205	Flush toilet connected to sewerage %		Weekly refuse removal %		Piped water inside dwelling %		Electricity for lighting %	
	2001	2011	2001	2011	2001	2011	2001	2011
	59,8	77,2	72,3	80,2	16,1	39,8	72,7	84,4

Census as at 2011

CHAPTER 2: GOVERNANCE

2.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list. The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings, The Mayor Cllr J.E Sigasa, Cllr M.A Mosia and Cllr M Du Plessis. The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other forums to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

2.2 Political Governance Structure

Council

The municipality has a Council made up of 17 Councillors. The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors.

Executive Committee

The Council established an Executive Committee that comprises the following members to provide leadership to the administration between Council meetings:

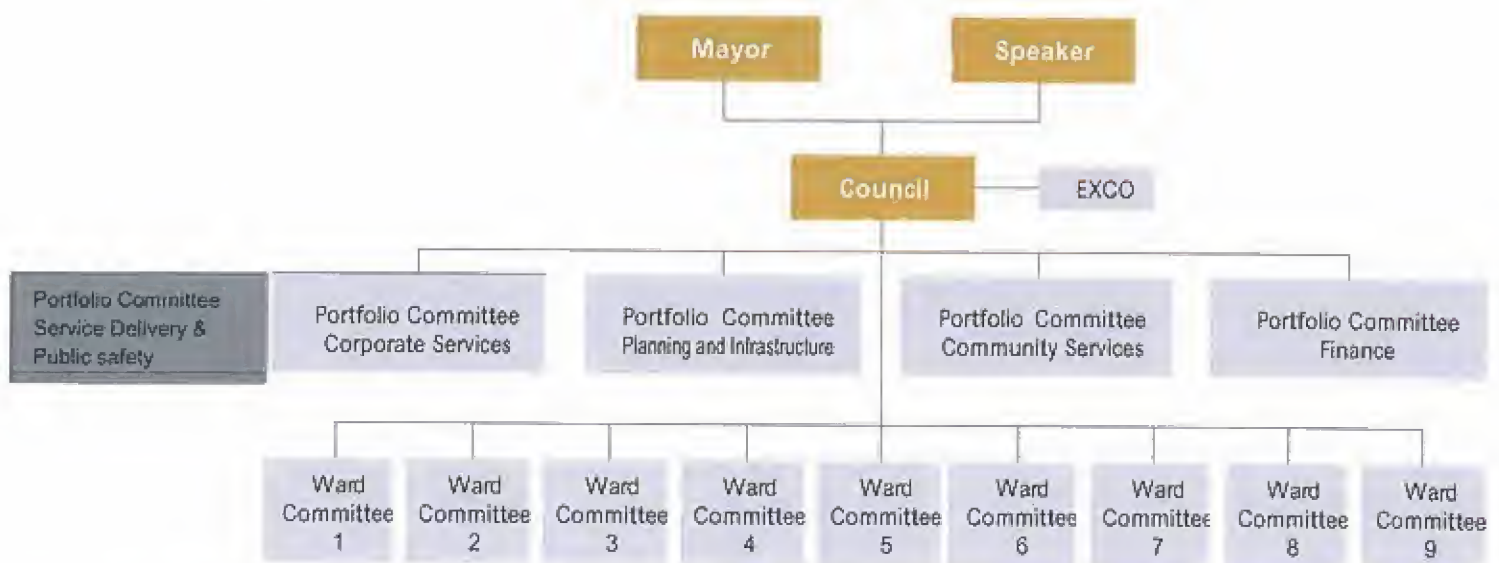
Portfolio Committees

The municipality also established Portfolio Committees to provide oversight over programmes of various municipal Directorates. The following are Portfolio Committees established by the municipality:

Name	Designation
JE Sigasa	Chairperson and Finance Committee
MA Mosia	Community and Corporate Services
M Du Plessis	

- ◆ Portfolio Committee: Corporate Services
- ◆ Portfolio Committee: Planning and Infrastructure
- ◆ Portfolio Committee: Community Services and Local Economic Development
- ◆ Service Delivery and Public Safety
- ◆ Portfolio Committee: Finance

The structures explained above are represented in the diagram below:



Council Leadership



Cllr. JE Sigasa
Mayor



Cllr. TM Moloi
Speaker



Cllr. PM Monaune



Cllr. JJ Hlogwane



Cllr. WC Motloung



Cllr. S Mosia



Cllr. FP Motloung



Cllr. LS Kubeka



Cllr. MM Sekhoto



Cllr. M Mofokeng



Cllr. JJ Pretorius



Cllr. MA Mosia



Cllr. P Motloung



Cllr. MC Du Plessis



Cllr. UC Jafta



Cllr. MM Hadebe



Cllr. N Rakoloti

2.3 Administrative Governance Structures

Mafube Local Municipality is a small Executive Committee type municipality with an administration organised into 5 programmes meant to support Council in the implementation of resolutions and policies within the broad framework of the IDP, applicable legislation and the Constitution. The programmes under the administrative leadership of the Municipal Manager are as follows:

- ◆ Financial Services;
- ◆ Technical Services and Infrastructure;
- ◆ Community Services;
- ◆ Corporate Services; and
- ◆ Service Delivery and Public Safety

The programmes are structured and organised in a manner that takes into consideration the various constitutional and legislative mandates, powers and functions entrusted in the municipality.

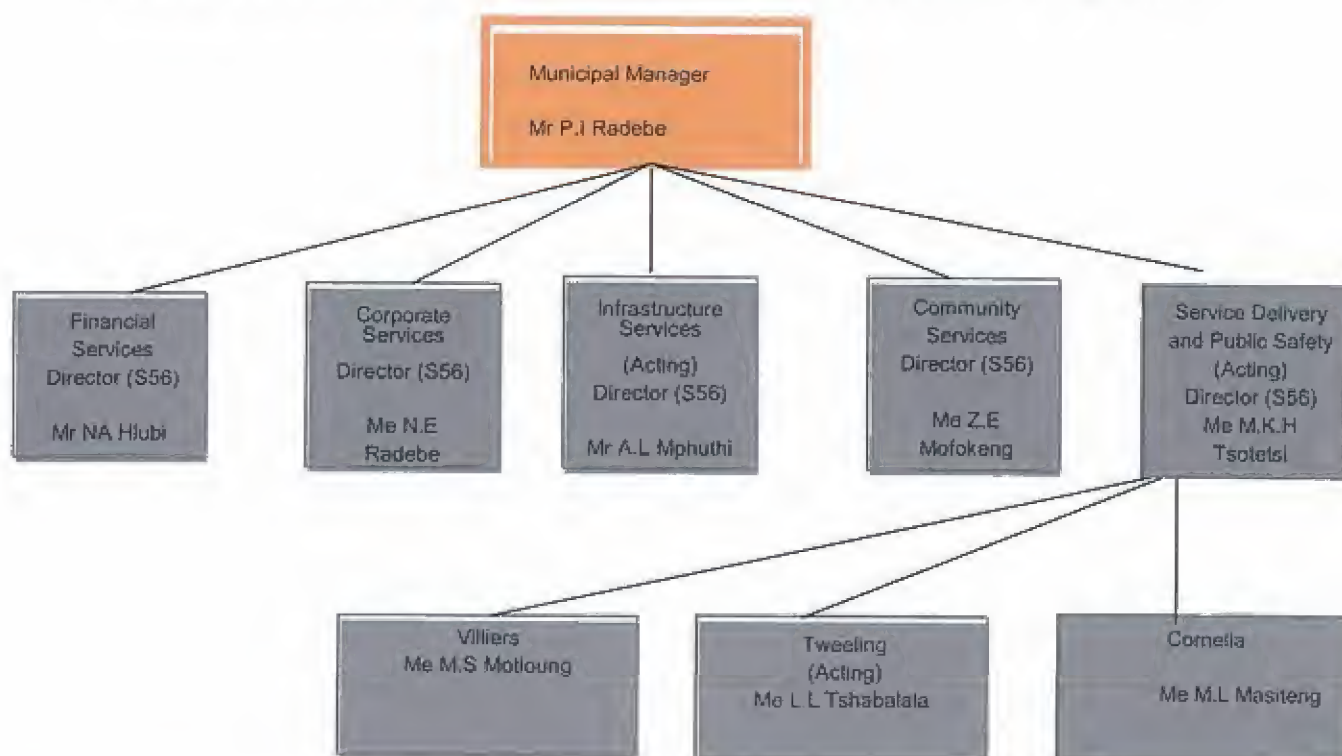
The Office of the Municipal Manager serves as a pivot that facilitates interface between the political offices,

community and administration as key components of the municipality. The Office is also responsible and accountable for the overall implementation of municipal programmes. The Municipal Manager executes his functions in conjunction with or with the support of managers accountable to him/her. These managers (Directors) serve as heads of the various programmes highlighted above.

As part of planning, implementation and monitoring of municipal programmes, the Municipal Manager has set up management structures. The most critical is the management meeting. This is a forum that convenes once every week to report progress, review programmes and plan ahead on a weekly basis. The forum is attended by all the Directors, middle managers/supervisors responsible for certain key programmes and the heads of Units or regional offices of the municipality. This is a senior management team responsible for daily management of the municipality.

2.4 Executive Management

The top management team of the municipality referred to above is represented in the diagram below:



Executive Management



Mr PI Radebe
Municipal Manager



Me ZE Mofokeng
Director:
Community Services



**Me N.E
Radebe**
Director:
Corporate Services



Me MKH Tsotetsi
(Acting) Director:
Service Delivery
and Public Safety



Mr AL Mphuthi
Director: (Acting)
Infrastructure Services



Mr NA Hlubi
Chief financial
Officer

2.6 Public Accountability and Participation

Public Meetings

Mafube Local Municipality has cultivated a strong culture of public participation with numerous structures, systems and processes created to deepen public participation and promote public accountability. The municipality continuously advertises and issues notices for their Council meetings to which the public is invited to participate.

In addition, wherever there is a policy or by-law that is to be passed, the municipality regularly issues notices for public participation and/or feedback from the commu-

nity. In addition, the municipality would also call public meetings where Councillors, officials and communities come together to discuss those policies and by-laws.

In addition, the municipality, under the leadership of the Mayor and Speaker regularly have meetings or 'imbizos' with the community to report on progress and challenges with the delivery of programmes and projects as contained in the IDP and SDBIP and also receive feed-back for corrective action and acceleration of delivery. This year the municipality held a Local Government summit, LED summit and Youth summit:

Venue	Summary of issues raised by communities
Sunset – Ward 7 (Namahadi)	<ul style="list-style-type: none"> ◆ ID documents ◆ Business and residential sites ◆ Clinic development ◆ Cemeteries upgrade ◆ Livestock support ◆ Speed humps in Phomolong ◆ Billing and accounts ◆ Roads and bridge construction ◆ Electricity provision
Mamello Sports Ground – Ward 2 & 5 (Namahadi) Mfundo Secondary School (Ward 2)	<ul style="list-style-type: none"> ◆ Electricity tampering ◆ Electricity tariffs by Rural Maintenance ◆ State of RDP houses ◆ Water leaks and spillage ◆ Traffic control ◆ Electricity provision ◆ SMME support ◆ Youth support
Zomba Stadium – (Wards 5 & 6) Namahadi	<ul style="list-style-type: none"> ◆ Meters not read ◆ Street lighting ◆ Roads and streets ◆ Sewer leaks and blockages ◆ Rehabilitation of stadium ◆ SMME support ◆ State of RDP houses ◆ Industrial waste ◆ Billing ◆ Council communications
Mlindo Silinga Hall (Ward 5) Ekukhanyeni Community Hall (Ward 1)	<ul style="list-style-type: none"> ◆ Care for public spaces ◆ Billing ◆ Free Basic Services

Venue	Summary of issues raised by communities
Mafahlaneng Community Hall (Ward 8)	<ul style="list-style-type: none"> ◆ Sewer leaks ◆ SMME support ◆ Billing ◆ Fencing of public amenities ◆ Metering ◆ State of RDP houses
Qalabotjha Sports Ground Villiers Town Hall (Ward 4)	<ul style="list-style-type: none"> ◆ Meters not read ◆ Traffic control and safety ◆ RDP beneficiary list management
Open Space Ext 4 (Ward 9)	<ul style="list-style-type: none"> ◆ State of RDP houses ◆ Indigent register management ◆ Faulty meters ◆ Water leaks and spillages
Mohlakeng Primary School (Ward 3)	<ul style="list-style-type: none"> ◆ Title deeds and change of ownership ◆ Billing

2.7 IDP Participation and Alignment

As per the requirements of the legislation and in keeping with the culture of public participation that has been cultivated over the years, the municipality continues to involve communities in the drafting of the new IDP and the Budget.

An extensive community participation programme that saw Councillors and officials crisscrossing the length and breadth of the Mafube consulting communities on key priorities and allocation of resources was unfolded. This community participation programme that also involved extensive involvement of Ward Committees happened in terms of the programme below:

PHASE		
Preparatory Phase	August – September 2013	Draft IDP process plan Submission of IDP Process plan to Portfolio Committee Approval of IDP Process by Council
Analysis Phase	October – November 2013	IDP need analysis Compilation of ward profiles
Strategic Phase	November-December 2013	Development of objectives, strategies, projects & programmes (Mayoral Strategic Workshop)
Project Phase	January – February 2014	Formulation of project proposals Screen, adjust, consolidate and agree on projects
Integration Phase	February – March 2014	Alignment session with District
Approval Phase	March – May 2014	Table Draft reviewed IDP to Council Submission of the Draft IDP to FDDM and Cogta Advertisement for comments on Draft IDP Final adoption of the IDP & Budget by the Municipal Council Adoption of the SDBIP by Council

2.8 Corporate Governance

With respect to improving good corporate governance the municipality introduced various measures in the following areas:

Risk Management

Building on the comprehensive Risk Management Register developed the previous year, the municipality developed Risk Management and Audit Plans which assist in continuously identifying business risks and dealing with them. The municipality also appointed the risk management officer. The municipality continues to work with the Risk Management Unit established at the district level to continuously monitor business and operational risks and bring these to the attention of management for action.

Anti-corruption and Fraud

The municipality intended to develop own Anti-corruption and Fraud Management policies and plans. This was so mainly because the Auditor General has continuously raised the matter with the municipality. However due to lack of internal capacity and limited resources, the municipality has not been able to develop these policies and plans. It is however the plan of the municipality to ensure that these policies and plans are developed in the next financial year.

Supply Chain Management

The municipality has developed and continues to revise its Supply Chain Management Policy with all attendant structures and systems in place. Despite its best efforts, the municipality has not been able to comply fully with the requirements of the Policy. This has been so mainly because of poor planning for acquisition and procurement of goods and services resulting in endless procurement on deviations. This situation is also attributable to the municipality's current financial situation. Due to uncertainty regarding availability of resources, it has been difficult for the municipality to plan properly and

determine what and when to procure goods and services. This is however not an excuse for proper planning for acquisition and procurement of goods and services by the municipality. The municipality will pay particular attention to improving supply chain management in the next financial year.

By-laws

As indicated elsewhere in the Report, the municipality continues to revise and develop by-laws to improve good governance, peaceful coexistence, service delivery and orderly development in Mafube. This financial year the municipality drafted a number of by-laws which were to be subjected to public participation processes before approval by Council. The draft by-laws developed include:

- ◆ Building Regulations
- ◆ Dumping and Littering
- ◆ Informal Settlements
- ◆ Keeping of Animals
- ◆ Refuse Removal
- ◆ Street Trading

Websites

The municipality has a website that is functioning at a fairly basic level. The website is regularly updated through the work of a consultant. The municipality is experiencing a problem of a delay of stories that must be publicized; however the matter is being attended to by engaging the consultant on the solutions towards that matter.

Public Satisfaction on Municipal Services

The municipality has not been able to undertake comprehensive public satisfaction surveys on municipal services mainly because of lack of planning for it and limited capacity and resources. The municipality however regularly interact with communities through various platforms and structures including Imbizos and Ward meetings etc where feedback on service delivery is obtained and discussed. The municipality acknowledges that this cannot be sufficient and more needs to be done.



Local Government Summit: Members of the community gathered in Miindo Slinga Hall in Frankfort

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The performance review of the municipality will be undertaken in relation to the five areas of Local Government Strategic Areas agreed to nationally. These are Municipal Transformation and Organisational Development, Infrastructure Development and Service Delivery, Local Economic Development, Municipal Financial Viability and Management, and Good Governance and Public Participation.

3.1 Municipal Transformation and Organisational Development

Challenges

- ◆ Making sure that organizational policies are in place and are effectively implemented;
- ◆ Ensuring that performance of staff is effectively monitored and improved; and
- ◆ Ascertaining that organizational and HR systems are in place and effectively implemented
- ◆ Old, poor maintenance and shortage of fleet.
- ◆ Poor maintenance of Municipal buildings

Key Priorities

- ◆ Revise organizational structure and align it to the needs in the IDP;
- ◆ Recruitment of staff to fill all critical posts identified;
- ◆ Revise and implement the Workplace Skills Plan;
- ◆ Develop and implement outstanding HR policies;
- ◆ Develop and implement Performance Management System;
- ◆ Develop and implement organizational and HR systems;
- ◆ Develop outstanding bylaws;
- ◆ Develop and implement Employee Assistance Programme;
- ◆ Maintain a vibrant and healthy labour relations environment in the municipality;
- ◆ Ensure efficient running of the municipal administration;
- ◆ Improvement of municipal Information and Communication Technology Systems (ICT).

Key Performance Indicators

- ◆ Organizational structure revised and aligned to the needs in the IDP;
- ◆ All critical posts identified and filled;
- ◆ Workplace Skills Plan revised and implemented;
- ◆ Outstanding HR policies developed and implemented;
- ◆ Performance Management System developed and implemented;
- ◆ Organizational and HR systems developed and implemented;
- ◆ Outstanding by-laws developed and implemented;
- ◆ Employee Assistance Programme developed and implemented;
- ◆ A vibrant and healthy labour relations environment maintained in the municipality;
- ◆ Efficient running of the municipal administration ensured;

Key Performance Highlights

- ◆ During this financial year the municipality revised the organizational structure with some significant changes to respond to the changing needs of the municipality. The new organizational structure was adopted by Council on the 28 March 2013 for the implementation from the 1st of July 2013.

- ◆ The municipality experienced a tragic loss in passing away of the Director Service Delivery and Public Safety, whereby Me MHK Tsotetsi got appointed in an acting capacity in that position.
- ◆ The municipality also filled the position of a Chief Financial Officer which was filled by Mr N.A Hlubi who got appointed on the 15 May 2014.
- ◆ The municipality also identified a further number of critical posts that needed to be filled. Many positions were consequently filled and that brought the staff establishment the numbers as shown below:

Section	Filled Posts	Vacant Posts	Total number of Posts
Office of the Mayor	8	6	14
Office of the Speaker	4	6	10
Office of the Municipal Manager	9	3	12
Service Delivery and Public Safety	22	5	27
Planning and Infrastructure Services	107	29	136
Financial Services	28	12	40
Corporate Services	24	5	29
Villiers Unit	102	54	156
Cornelia Unit	46	29	75
Tweeling Unit	49	37	86
Grand Total	465	224	689

- ◆ The municipality also ensured that the Workplace Skills Plan (WSP) was revised this year again as required by the legislation. Upon revision, the WSP was submitted to the Department of Labour (DoL) and the Local Government Sector Education Training Authority (LGSETA). The municipality ensured that identified beneficiaries employees were trained in various vocations and the Annual Training Reports was compiled and submitted to the Department and the SETA.
- ◆ The Employment Equity Plan was also revised for 2013-2014 as required by applicable legislation. The revised Employment Equity Plan was submitted to Council for approval.
- ◆ As far as Human Resources policies are concerned, the municipality has ensured that 90% of the policies were developed and implemented. The municipality has however developed a number of other policies which were submitted and approved by the Council. The policies developed included the following:

- Attendance and Punctuality
- Training and Development
- Standby
- Recruitment and Placement
- Records Management
- Transport Allowance
- Overtime
- Internal Bursary
- Incapacity
- ICT
- Experiential learning
- Dress Code
- Communication
- Code of Conduct
- Occupational Health and Safety
- Leave

-
- ◆ With regard to performance management, the municipality has ensured that work continues. With all the performance management frameworks and monitoring and reporting templates in place, the municipality is happy to announce that it has appointed the Performance Management System (PMS) Officer and the Integrated Development Plan (IDP) Officer to ensure that various aspects including drafting of performance agreements and performance plans for senior managers, the SDBIP and drafting of Annual Reports are in place. Unfortunately the municipality was unable to do performance assessments due to lack of consistent quarterly reports which led to the annual performance assessment of managers not being done as well which should result in the payment of bonuses, among others. The municipality has however identified this as a weakness and with the appointment of the abovementioned employees, performance management system and reporting will improve tremendously in the following financial year.
 - ◆ On the labour relations front, the municipality continued to improve the overall functionality of the Local Labour Forum. The Local Labour Forum is functioning well and meetings were held many times as expected to attend to a variety of labour issues at the workplace.
 - ◆ The municipality continued to implement its Occupational Health and Safety and employee wellness programmes with the employee relief scheme and moral regeneration by the chaplains. Employees were provided with the PPE's as part of the continued effort to assure their safety at work.
 - ◆ The municipality also continues to do work to improve overall state of the municipal buildings and property. In this regard, the municipality ensured that Council buildings and halls in Frankfort and Villiers were renovated and rehabilitated.
-

3.2 Infrastructure Development and Service Delivery

Challenges

- ◆ Appropriate prioritization and planning for community needs;
- ◆ Provision of basic services within limited infrastructure capacity;
- ◆ Ensure availability and sustainable use of land for development.

Key Strategic Priorities

- ◆ Provide and extend basic services including water, sanitation, electricity, roads and storm water and waste removal;
- ◆ Upgrade and maintain infrastructure for provision of services;
- ◆ Facilitate the provision of housing to the community; and
- ◆ Provide social and community services to the community
- ◆ Undertake land audit, develop SDF/LUMS and upgrade informal settlements.

Key Performance Indicators

- ◆ Communities provided with access to basic services;
- ◆ Infrastructure projects implemented and completed;
- ◆ Number of houses built and related town planning services provided; and
- ◆ Social and community services provided to the community.
- ◆ Land audit completed, SDF/LUMS developed and informal settlements upgraded

3.2.1 DEPARTMENT: FINANCIAL SERVICES

Key Performance Area	Measurable Objective	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Financial management and viability	Financial Management Reforms	100%			
	Financial Systems Changes	100%			
Financial Accounting	Compile Annual Financial Statements	100%	100%		
Financial Reporting	Management Responses to Audit Queries	Annual Report	60%		
	Auditor General Report	Management Letter			
	Corrected Journal Misallocation				
	Annual Report (Financial Statements)	Annual report at the end of financial year			

DEPARTMENT: FINANCE SERVICES (CONTINUE...)

Key Performance Area	Measurable Objective	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Financial Reporting	Implementation of GRAP	50%			
	All related policies	80%	80%		
	Investment Reconciliation	Monthly	100%		
	Insurance Claims	Daily	60%		
Cost, Capital & Management Accounting	Review of established treasury budget office	Restructuring Process	60%		
Budgeting and Budget Control	Compile municipal budget document aligned to IDP submitted to Council	December-May	100%		
	Compile Revised Budget	December 2013	100%		
	Report on budget performance	Monthly	100%		

DEPARTMENT: FINANCE SERVICES (CONTINUE...)

Key Performance Area	Measurable Objective	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Cost, Capital & Management Accounting	Draft Adjustment Budget	December 2013			
	Draft new budget action plan	August	100%		
	Evaluated daily income and expenditure	Daily			
	Submit new budget to Council	31/03/2014	100%		
Cash Flow Management	Section 71 monthly financial reports submitted to the Mayor	Monthly Reports	80%		
	Monthly cash flow projections inputs from Directorates	Monthly	60%		
Strategic Objective	Monthly cash flow variance reports per department	Monthly	60%		
	Measurable Objective	Annual Target	50%		
Cost, Capital & Management Accounting	Draft Adjustment Budget	December 2013	100%		
	Draft new budget action plan	August	100%		
	Evaluated daily income and expenditure	Daily	70%		
	Submit new budget to Council	31/03/2014	100%		
Cash Flow Management	Section 71 monthly financial reports submitted to the Mayor	Monthly Reports	100%		
	Monthly cash flow projections inputs from Directorates	Monthly	40%		
	Monthly cash flow variance reports per department	Monthly	40%		

DEPARTMENT: FINANCIAL SERVICES (CONTINUE...)

Key Performance Area	Measurable Objective	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Submission of reports	Weekly reports to be compiled	Monthly report	40%		
	Compiled monthly, quarterly and annual report to the Municipal Manager and Treasury.	End month	100%		
Asset registration management	Updated asset register report	End quarter	50%		
Submission of requisition books					
Fixed Asset Management System	Recorded condition and value of fixed assets	100%	50%		

DEPARTMENT: FINANCIAL SERVICES (CONTINUE....)

Key Performance Area	Measurable Objective	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Debt and Revenue Management	Accurate and optimum revenue collected	Weekly	21%	Inaccurate billing due to wrong meter readings	
Rates Administration	Rates policy developed	To be reviewed	0	Must go to Council for adoption	
Collection and management of revenue	Optimum revenue collected	60%	50%		
	Purified debtor data base and minimum debts in arrear	50%	20%		
Managing of Debts and collection of arrears	Letters of demand sent Cutting-Off services Hand-over to Attorneys	Monthly Monthly Quarterly	50%	Daily calls are being made and rebates are offered to enhance revenue base and settle arrears	
Registering of Indigents	Number of indigents registered and updated	80%	10%	Will embark on a campaign in October 2014	

3.1.2 DEPARTMENT: CORPORATE SERVICES

Key Performance Area	Key Performance Indicator (KPI)	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Increase organisational efficiency	Performance Management System is reviewed and implemented	100%	40%	Lack of internal capacity due to late appointment of a PMS Officer	PMS Officer position has been filled; the system will be reviewed and implemented in the 2014/2015 financial year Allocation of sufficient budget
	Training external and internal	80%	70%	Insufficient funding	
Corporate Support	Property Management	80%	55%	Insufficient funding	Allocation of sufficient budget
	Incoming post	80%	80%		
	Outgoing post	80%	80%		
	Faxes received and sent	80%	80%		
	Legal and Administration	80%	80%		
	Council administration	80%	80%		
Institutional Development	Organisational audit in terms of legislative compliance	80%	40%	The functionality of internal audit was only established during the year	By-laws to be submitted to Council for adoption
	Development of by-laws	80%	70%	Insufficient consultation and non adoption by Council	
Effective human resource management	Personnel administration	80%	70%	Late capturing of leave forms	A refresher course for VIP system by the personnel
Transformation, change and performance management	Personnel maintenance, management, training, selection, recruitment, labour relations, change and performance management	80%	65%	Late appointment of the Labour Relations Officer	Labour Relations Officer position filled

3.1.3 DEPARTMENT: COMMUNITY SERVICES AND LED

Key Performance Area	Key Performance Indicator	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Community Facilities	Ground Sales	80%	50%	Late payment and contractors dispute Swimming pool upgraded but due to non availability of security vandalism did take place	Problem resolved through steering committee meeting Proper plan is needed
LED	Report on performance of the LED strategy and its sustainability	80%	70%		
Library	Library services	80%	20%	The Province is taking over libraries	
Cemeteries	Capital Programmes	80%	20%	Lack of funding	Requests to be re-submitted to other departments
Parks & Recreation	Plant & Equipment	80%	30%	Lack of funding	Re-submit request to other departments and the district

3.1.4 DEPARTMENT: PLANNING & INFRASTRUCTURAL SERVICES

Key Performance Area	Key Performance Indicator	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Provide Water	Number of Households provided with basic water	90% (603)	100% (603)		
Provide Sanitation	Review of Water Services Development Plan (WSDP)	100%	100%		
	Number of households provided with toilets (water borne system) RBIG (NWWTP) upgrade by Rand Water	100%	0	Lack of funds	
		100% (Design and Tender)	100%	Did not proceed with it	Funds will be available in 2014/15/16/17
Provide Electricity	Number of households provided with house connections (Qalabotjha and Namahadi)	90%	90%		
		90%	500- Qalabotjha 500- Namahadi		
	Number of households provided with free basic electricity	100%	100%		
	No. of new High Mast Lights erected	100%			
	Maintenance of street lights	4	4 but not connected	No funds	Provided for in the next financial year's budget
Maintenance and Upgrade Roads		80%	80%		Need funding
		1,1 km	1,1 km		
		0			
		5,5 km			
		100%			
Provide Storm Water Management	Compile a Storm Water Management Plan	100%	0	Lack of funds	Need funding
	Develop an Integrated Traffic Plan				

PLANNING & INFRASTRUCTURAL SERVICES (CONTINUE...)

Key Performance Area	Key Performance Indicator	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Provide the Project Management Assistance in Implementation of all projects	Implementation of Micro Software Project	100%	0	No funds	Planned for the next financial year
	Project Management	100%	100%		
	Attend all MIG meetings	100%	100%		
	Control and monitor all Projects – financial cash flows and progress reports	100%	100%		
	Compile Business Plan to access funding from various funders	100%	100%		
Promotion of stakeholder participation	Compile and submit closed out reports for all MIG funded projects				
	Attend Technical Forums	100%	100%		
	Energy Forum				
Invest In Infrastructure	Water Forum				
	Roads and storm water	12 meetings	100%		
	No. of Meetings with different stakeholders				
	% of capital budget actually spent on capital projects	100%	65% (MIG)		Improve revenue collection
	% of operational budget spent on maintenance	100%	83% (Energy efficiency and demand site management)		
Enhance Customer Service	% of bids awarded to BEE	100%	100%		
	Report on number of jobs created through LED initiatives including capital projects	109 jobs	109 jobs		
Enhance Customer Service	Conduct Customer Service Survey and report to Municipal Manager	100%	Customer service opinion was obtained through meetings and complaints register		

3.1.5 SERVICES DELIVERY & PUBLIC SAFETY

Key Performance Area	Key Performance Indicator	Annual Target	Actual performance	Reasons for non or under performance	Corrective measures taken or to be taken
Rural Development and Demarcation		100%	0	Lack of internal capacity	It is provided for in the next financial year
Municipal Service Delivery	Ensure basic service delivery services such as Environmental, Electrical, Water, Sanitation, Roads and Storm water services are supply to the community, including effective functioning of mechanical workshops.	100%	60%	Lack of resources, challenges with our mechanical workshop	
Public Safety	Ensure law and order is enforced in all units and municipal property secured.	100%	60%	Lack of internal capacity and proper placement in security section	
Administration and Finance	Ensure effective and efficient administration is provided at all municipality service delivery units	100%	100%		
Human Settlement	Provision of effective housing administration to community at service delivery units	100%	50%	Incomplete RDPs and limited land for the allocation of residential sites	To be resolved in the next financial year

Key Performance Highlights

Integrated Development Plan

- ◆ As required by the Municipal Systems Act, 2000 and related Regulations, the municipality had to develop a long term integrated development plan (IDP). Accordingly, the municipality developed a long term 2012/2017 IDP to align with the term of the new Council. The IDP was developed following extensive consultations with communities and other stakeholders in accordance with the applicable legislation and the IDP Process Plan adopted by Council. The IDP process was driven by an IDP and Budget Steering Committee comprising of the Mayor, 6 Councillors, Heads of Directorates, Units and other relevant managers. The municipality also ensured that the IDP was aligned to other plans as required including the Provincial Growth and Development Strategy.

Below is a list of public meetings the municipality had with communities as part of its consultation process on the IDP:

Ward	Dates	Venue	Time
1	14 November 2013	Ekukhanyeni Hall	16h30
2	15 November 2013	Mfundo Thuto	17h00
		Mamello Sport Ground	15h30
3	12 November 2013	Mohlakeng Primary School	17h00
4	07 November 2013	Madiba Hall	16h00
		Villiers Town Hall	18h00
5	06 November 2013	Frankfort Local Hall	18h00
6	04 November 2013	Namahadi Hall	17h00
7	05 November 2013	Poelano School	16h30
		Phomolong (Sunset)	15h30
8	12 November 2013	Mafahlaneng Community Hall	17h00
9	11 November 2013	Hlalefang crèche Extension 7	17h00
		Ntalaise crèche	17h00

Basic Services

- ◆ The municipality continues to improve infrastructure development and service delivery with limited resources. It continues to implement the multi-year infrastructure projects that started in 2009. Below is a list of the multi-year projects supported by the municipality and infrastructure grants.

MAFUBE LOCAL MUNICIPALITY - 2013/2014 PROJECTS		
PROJECT DESCRIPTION	ACTIVITY	COMMENTS
Cornelia/Ntswanatsatsi Bucket Eradication: MIG project	Project completed	(Retention period complete and retention paid)
Namahadi: Upgrading of Gravel Roads to Paved Roads with proper Storm Water Drainage	1.1, Km complete	Retention Period
Namahadi: Construction of Water Reticulation Network with 1714 Erf Connections	Multiyear project	305 Erf Connections outstanding
Qalabotjha: Extension of the Waste Water Treatment Works	Multiyear project	38% complete, work in progress
Mafahlaneng/Tweeling: Upgrading of Sports Ground	Work in progress	Construction work in progress
Namahadi/Kgatholoha: Upgrading of Sports Ground	Work in progress	Construction work in progress
Namahadi MV Feeder Line	Partially complete	Cost was 969 240.00 more than the budget. need to extended the line to Frankfort Substation
Electrification of Namahadi (Phase 2)	500 households have been connected	Complete. Additional 25 households still need to be electrified
Electrification of Qalabotjha (Phase 2)	Complete	
Energy Efficient Systems	500 houses have been connected Work in progress	Basia Consulting Engineers are carrying out the project for the whole Mafube. The work is 83% complete
Villiers/Qalabotjha new WPP- pipeline	The Department of Human Settlement is funding the project	Complete
Eradication of Buckets In Mafube LM	Presidential Programme	Work in progress
Environmental Projects (Eradication of Illegal Dumping Sites and Management of Parks)DEA	Completion of Business Plans	Work in progress

Electricity Provision

- ◆ As reported last year, the municipality entered into an agreement with Rural Maintenance (Pty) Ltd for the management, operation, administration, maintenance and expansion of electricity network and revenue management services for a period of 25 years.
- ◆ Number of households provided with house connections is 1 025
- ◆ Number of households provided with free basic electricity is 4 508
- ◆ The municipality continued to provide services of installing the new high masts through Eskom and Rural Maintenance
- ◆ Maintenance of street lights was also done by Rural Maintenance.



Water provision

- ◆ The municipality also continues to improve provision of water to the community. Current readings show that more communal taps in accordance with RDP standards were provided in various parts of the municipality.
- ◆ The municipality has also ensured that all the qualifying households are provided with free 6kl water.



Basic services rendered in Mafube

	2013/14
Number of new RDP houses built in municipal areas	407
Number of households provided with water	16 039
Number of households provided with electricity	16 599
Number of households provided with sanitation	14 239
Number of households provided with refuse removal	17 754

Roads and Stormwater

- ◆ The work on upgrading of roads continued this financial year. This included 1.1km of road that was paved in Namahadi near graveyard and SAPS.
- ◆ The municipality also continued to do work in relation to upgrading of roads and storm water channels. One of the pieces of work the municipality did, involved the paving of roads in Ntswanatsatsi.

Human Settlements

◆ While the provision of housing is a provincial function, the municipality continued to play a supportive role in this regard. The support role came in different forms including identification of housing needs, consumer education, identification of housing beneficiaries, maintenance and updating of beneficiaries lists, keeping beneficiaries informed and identification and provision of land and sites for housing development. This is apart from the servicing of sites for housing development.

◆ In addition, the municipality continued to implement the campaign to create awareness about the waiting list and how it works. This was critical to forge common understanding among prospectives and thereby removing misperceptions in the community and create stability in the allocation of houses. In this regard, the municipality held a number of workshops with beneficiaries on the waiting list.

◆ The municipality also continued to monitor the construction of houses and compiled reports for Department of Human Settlements.

◆ Following the audit undertaken the previous financial year regarding the building and housing improvements done without plans being approved by the municipality, measures were taken to ensure that building and homeowners comply with the applicable building laws and regulations. As a result, the municipality has observed a steady decrease in the number transgressions of building regulations and by-laws of the municipality the table below shows how the houses were provided in Mafube.

Basic Services	2013/14
Number of new RDP houses built, but not completed	740
Number of waiting list for RDP houses	2 632
Number of households not provided with water	2 265 using communal taps
Number of households not provided with electricity	1 767
Number of households not provided with sanitation	4 065 using bucket system
Number of households not provided with refuse removal	350

Land

◆ Following the application submitted to the Department of Rural Development for the purchase of the land adjacent to Frankfort and Cornella, negotiations have been ongoing to finalise the matter.

◆ The Department of Human Settlements has also appointed a service provider for the Planning and Surveying of 1747 residential erven with related amenities across all units of Mafube Local Municipality. The residential erven will be distributed across all four towns of Mafube Local Municipality as follows:

- Frankfort = 700 erven
- Villiers = 247 erven
- Cornella = 400 erven
- Tweeling = 400 erven

◆ Subdivision and surveying of suitable sites for additional residential erven is an ongoing process in all units. Certain portions have already been surveyed and ready for occupation by beneficiaries. The Housing Development Agency (HDA) is now assisting with identification of informal settlements. The key open spaces for infill development have been identified and the proposal for establishing townships in those areas is supported by Council.

Waste Management

- ◆ The DEA will assist the municipality in terms of the personnel who will work on waste management issues such as the landfill sites, campaigns and administrative work. (Youth jobs for Waste). The Selection test was done on the 12 and 13 June 2013.
- ◆ The municipality continues to ensure that illegal dumping sites are monitored and cleaned every day after hours. The municipality has also taken advantage of EPWP employees to pick paper at these dumping sites as well. The municipality went further to draft by-laws on Illegal Dumping which was submitted to Council for adoption.
- ◆ The municipality also continues to ensure that refuse is collected once a week from each household and twice a week from business sites. Garden refuse is collected upon request.



Parks and Open Spaces

- ◆ The municipality continues to maintain its parks and open spaces. As in previous years, the municipality continues to ensure that the grass is cut regularly as part of the maintenance of the parks and open spaces.
- ◆ The establishment of a park has started in Villiers and it is funded by Sasol
- ◆ The municipality received funding from EPWP for the greening of parks



Roads, Streets and Traffic Management

- ◆ The municipality continues to undertake various responsibilities related to maintenance of roads and streets, as well as management of traffic. In particular, the municipality refreshed the road markings and signs while ensuring that JJ Hadebe Street is cleaned every day.
- ◆ The municipality has also ensured that road markings in certain streets are redone to enhance visibility and proper traffic control in other streets, the municipality erected speed humps to ensure safety and protection of pedestrians. Road blocks continue to be mounted regularly to ensure effective management of traffic. The municipality has also worked with the provincial government to improve monitoring of roads especially during Easter and the festive season.
- ◆ The municipality also introduced new traffic control measures and ensured that traffic officers are deployed strategically and had to work overtime to ensure effective traffic management.
- ◆ A Policy on Escorting Funerals was also developed to provide a framework for governing the support the municipality would give in directing burial processions and thereby minimize traffic disruptions

Cemeteries

- ◆ The municipality continues to improve maintenance of cemeteries in and around Mafube with the assistance from the EPWP employees.

Sports and Recreation

- ◆ The Mafube participants attended the Provincial Indigenous games at Reitz where some were selected into the team Free State.
- ◆ Mafube participants represented the Province in the National Indigenous games that were held in Pretoria.
- ◆ As part of the broader effort to improve sporting facilities in Mafube, two open spaces at Namahadi were upgraded for sports grounds.
- ◆ Upgrading of Tweeling and Kgatholoha sports grounds is in progress.



3.3 Local Economic Development

Challenges

- ◆ Increasing rates of unemployment and poverty;
- ◆ Economic decline in critical sectors;
- ◆ Absence of strategic and planning frameworks to drive economic development;
- ◆ Weak informal sector or the second economy;
- ◆ Uncontrolled informal trading; and
- ◆ Slow rates of investments in the local economy.

Key Priorities

- ◆ Development of the LED Strategy;
- ◆ Mobilise investments and promote tourism;
- ◆ Support the local business sector;
- ◆ Support the SMME Sector;
- ◆ Introduce measures to regulate informal trading;
- ◆ Support strategy sectors in the local economy (e.g. agriculture and tourism manufacturing); and
- ◆ Create jobs and alleviate poverty.

Key Performance Indicators

- ◆ LED Strategy developed and approved by Council;
- ◆ Measures taken to mobilise business to invest locally;
- ◆ Measures taken to support local business;
- ◆ Measures taken to support SMME's; and
- ◆ Measures taken to stimulate strategic sectors in the local economy.

Key Performance Highlights

- ◆ The municipality is also in the process of strengthening its LED institutional capacity. In this regard has also appointed an LED Manager who is charged with the responsibility to strengthen the LED Unit and drive LED strategy and programmes in a structured, focused and dedicated manner.
- ◆ The municipality has also established an LED Forum that brings together the various role-players in the economy of the Mafube to serve as an institutional mechanism to integrate, coordinate and drive LED interventions in Mafube. The Forum has elected its leadership, finalized its terms of reference and is in the process of sorting a variety of other institutional and management arrangements.
- ◆ The municipality held an LED Summit which took place on 18 and 19 July 2013. The objective of the LED Summit was to bring all role-players together and look at the challenges facing the local economy, challenges facing the small businesses and find ways of responding strategically to these challenges. The Summit was also meant to feed into the LED Strategy being developed.
- ◆ To deal with the challenge of uncontrolled informal trading, the municipality held meetings with small business traders to encourage them to formalize and register their businesses with the municipality for proper allocation of business sites.

- ♦ The following are the LED Summit resolutions taken among others by the participants to be implemented by the municipality.

FOCUS AREA	RESOLUTIONS	PROGRESS ON IMPLEMENTATION	
		Started	Not started
Construction	The municipality must use local people, machinery and equipment when need arises and if they can be accessed	Yes	
	That 15% of construction work be aligned with national BEE	Yes	
	That construction of RDP houses be done by local contractors	Yes	
SMME Development and Informal Trading	Budget for SMME be increased		Yes
	Trainings be provided for SMMEs	Yes	
	Big companies if get job around Mafube must make joint ventures with small emerging entrepreneurs/sub-contract them	Yes	
	Business sites be made available	Yes	
Agriculture	Land be made available to people who have shown capacity and interest in farming	Yes	
	More focus must be put to people who are already in farming	Yes	
	Commercial farming must be encouraged	Yes	
Manufacturing	There must be consistency in opportunities that are made available (assessment and monitoring)	Yes	

FOCUS AREA	RESOLUTIONS	PROGRESS ON IMPLEMENTATION	
		Started	Not started
Manufacturing Continued...	LED Strategy outlining short, medium and long term be developed	Yes	
	Training be provided to local business people interested in manufacturing	Yes	
Tourism	That the municipality hold Tourism Indaba	In progress	
	Means of festivals be encouraged to empower youth talent that is local based (youth choirs i.e both gospel and other music, soccer tournaments, jazz and kwaito festivals be hosted)	Yes	

- ◆ The municipality through the support from the MEC of Detea embarked on an outreach programme which was a huge success whereby small businesses were provided with working equipments to sustain their businesses the following small business benefited;





	NAME OF BUSINESS	ITEMS DELIVERED	ITEMS OUTSTANDING	COMMENTS
1	Down Town Car Wash	<ul style="list-style-type: none"> Compressor Hoover Hose pipe x2 	<ul style="list-style-type: none"> Fencing Industrial Shade 	Not Available
2	Mvelo -Entle	<ul style="list-style-type: none"> Rake x5 hosepipes x2 Protective clothes /Gumboots x5 Jojo Tank Shovel/spade x5 	<ul style="list-style-type: none"> Fence 17 hectors Tunnels 	Beneficiaries worried about the security
3	Rebecca Motloung- Pig Farming	<ul style="list-style-type: none"> Jojo Tank 	<ul style="list-style-type: none"> land for business Pig sty Food for the Pigs Feeding containers Jojo stand 	Clients hoping to find outstanding equipments soon
4	Divas Fast food- Bunny	<ul style="list-style-type: none"> Deep Freezer Fridge Potato Cutter Micro Over Deep Fryer Griller 	<ul style="list-style-type: none"> Proper land for business Stove 4 plate Egg boiler Kettle 	Not available
5	Maditlhofa Dairy	<ul style="list-style-type: none"> Not delivered 	<ul style="list-style-type: none"> Not delivered 	Not available
6	Never Giver-up Tuck	<ul style="list-style-type: none"> Deep Fryer Micro Over Potato Cutter 	<ul style="list-style-type: none"> Fridge 	(No place for fridge, fridge is in municipality store
7	Boitumelo Arts & Craft	<ul style="list-style-type: none"> 2 x tables 10 x chairs Stock(paint, cotton) <p>Scissors, paint and Needles</p>	<ul style="list-style-type: none"> Oven New den Gloss paint Vanish stain Gloss tick Clear & colors dala 8 paint brush small 	Most of the things were not available because the supplier did not understand the nature of the specifications

8	Mafube African Heritage-Traditional Food	<ul style="list-style-type: none"> • 2x four plate stoves • Deep Fry 20lt (two dump) • Deep Freezer (double) • Food Warmer x 10 • Pos Terminal 	<ul style="list-style-type: none"> • 1x Make line Tab (for topping and cutlery) 	<ul style="list-style-type: none"> • NOT DELIVERED (business currently not operating, so the needs are in municipality store.
		<ul style="list-style-type: none"> • x2 • 4 Hard pots (large) • 10 Electricity warmers 		
9	Twin Corner - Catering	<ul style="list-style-type: none"> • Not DELIVERED 	<ul style="list-style-type: none"> • Mobile Kitchen 	Not available
10	Maska Hair Boutique	<ul style="list-style-type: none"> • Hair dryer • Tong Stove • 2 Chair • Washing Basin x1 	<ul style="list-style-type: none"> • Geyser • Standing Dryer • Laptop and Printer 	<ul style="list-style-type: none"> • Physical verification has been done and the group decided that Salon needs Laptop and Printer, but is not granted to the Beneficiary • Beneficiary not happy about not receiving Laptop and printer
11	Corner Shoe Wash	<ul style="list-style-type: none"> • Chair and Table x2 • Shoe polish x6 colors • Sunlight soup, power • Bucked x2 	<ul style="list-style-type: none"> • Mobile working station • Gloves • Tekkie bright Protective clothing 	<ul style="list-style-type: none"> • Most of the items were not relevant to what beneficiary requested.
12	Courtesy Hair and Beauty Salon	<ul style="list-style-type: none"> • Basin with chair x2 • Chair x2 • Stove x2 • Clippers x3 • Dryer x1 	No outstanding needs	Not available
13	Ebenezer Agric Project	<ul style="list-style-type: none"> • Drag line • Horse pipe x3 • Spate x5 • Garden fork x5 • Wheelbarrow 	Tunnels net 32x 20m ²	Not available

14	Mamosebetsi's Bunny Chow	<ul style="list-style-type: none"> • Deep fryer • Micro oven • Potato cutter • Fridge 	<ul style="list-style-type: none"> • No outstanding needs 	Not available
15	Lebipi Brick and Sand Manufacturing	<ul style="list-style-type: none"> • Not delivered 	<ul style="list-style-type: none"> • Block making machine • Maxi making machine • Storage/ container 	Beneficiary was concerned about the turnaround time of the delivery of the machines
16	Siza- ngo Mfutho 9	<ul style="list-style-type: none"> • Compressor • Deep fryer • Potato cutter • Food warmer 	<ul style="list-style-type: none"> • Vacuum cleaner • Fencing 	Nature of business needs fencing for security
17	Integrity Hair Salon	<ul style="list-style-type: none"> • Washing basin x2 • Tong stoves x2 • Chairs x2 • Hairdryer x2 	<ul style="list-style-type: none"> • Wall clipper machine x6 • Standing dryer x2 	Not available
18	Purple Tree Beauty	<ul style="list-style-type: none"> • Manicure set 	<ul style="list-style-type: none"> • Nails • Eyelashes • Towel • Monomer • Make-ups • Chairs • Nail cooler • Cabinets • Mirrors Leon back chair 	Beneficiary was not convinced about the quality of the delivered products.
19	Green House Fast food	<ul style="list-style-type: none"> • Deep Fryer • Potato cutter 	Fridge	<ul style="list-style-type: none"> • The fridge is at municipality store due to shortage of beneficiary space
20	Sebego Tuck shop	<ul style="list-style-type: none"> • Not delivered 	Mobile tuck shop	Not available
21	Deba garden Services	<ul style="list-style-type: none"> • Petrol brush cutter x2 • Fork x4 • Spade x9 • Plastic rake x4 • Wheelbarrow 	No outstanding needs	Not available

3.4 Financial Viability and Management

Challenges

- ◆ Increasing service delivery costs;
- ◆ Increasing operating costs including personnel costs;
- ◆ Growing population vis a vis shrinking economy and revenue base; ◆
- ◆ Steady decrease in infrastructure funding;
- ◆ Cash flow crisis;
- ◆ Improving revenue collection for the municipality to meet its service delivery obligations.

Key Strategic Priorities

- ◆ That the 2013/2014 budget is compiled and adopted in accordance with applicable Municipal legislation; ◆
- ◆ Develop and implement Debt Collection Strategy to improve revenue collection;
- ◆ Ensure that outstanding financial management policies and systems are in place; ◆
- ◆ Ensure that budget and expenditure is in accordance with legislation; and
- ◆ Build internal capacity for improved financial management.

Key Performance Indicators

- ◆ 2013/2014 budget developed and adopted in line with the requirements of applicable legislation; ◆
- ◆ Debt Collection Strategy developed and implemented, and revenue collection improved;
- ◆ Outstanding Financial Management policies and systems developed and implemented; ◆
- ◆ Budget and treasury office established;
- ◆ Creditors paid within prescribed time-frames; and
- ◆ Financial management staff trained and capacitated.

Key Performance Highlights

- ◆ The municipality ensured that the 2013/2014 Budget was prepared and adopted in accordance with the Municipal Finance Management Act and Circular 54 of National Treasury. The municipality developed a Budget Process Plan that provided for extensive consultations and time-frames. In accordance with this, the municipality consulted widely and ensured that the Budget (aligned to the IDP) was finalized and adopted in time, 30 May 2014.
- ◆ In addition, the municipality compiled and approved the 2013/2014 Service Delivery Budget Implementation Plan (SDBIP). The Plan is a concrete expression of how the budget is translated into deliverables for the financial year. It also serves as a link between the budget planning and performance management. In fact, the SDBIP serves as a basis for the compilation of performance agreements for Section 57 managers.
- ◆ The municipality continues to implement the first volume of the Revenue Management Strategy to increase payment levels. Over and above tough measures to enforce credit control measures, increasing pay points for consumers and the introduction of incentive schemes, the municipality has also entered into an agreement with staff for the municipality to deduct monies from their salaries towards payment of outstanding arrears to the municipality.
- ◆ The municipality has also prioritized full implementation of its Indigent Policy. This is a policy that enables the municipality to both ensure the poor have reasonable access to basic services while ensuring that those who have to pay services do so, to this extent, the municipality continued to update its indigent register
- ◆ The municipality continues to implement Cost Containment measures to ensure prudent use of Council resources, eradicate wastage while redirecting resources to critical areas of need. One of those measures was an arrangement entered into with Councillors for usage of their mobile phone to be tightly managed and due deductions against allowances be processed through payroll system.
- ◆ The municipality has also ensured that the financial reports and mid-term performance report in terms of section 71 and 72 were compiled and submitted to Council in time.
- ◆ To improve asset management, the municipality continued to graduate its systems to be GRAP compliant. A fully GRAP compliant asset register has been developed. Asset verification was done and all assets which are

held on the floor were traced back to the register for confirmation and those which were not included in the register were included accordingly.

- ◆ The municipality also continued to rigorously implement the Supply Chain Management Policy. Among others, the municipality issued an advert inviting service providers to register on municipality' SCM database.
- ◆ To build capacity in the Finance section, the municipality not only trained its staff but also used FMG to bring in 4 interns to provide capacity back up in various areas of budget and treasury functions.

FINANCIAL VIABILITY RATIOS

1.

DEBT COVERAGE RATIO

	2014	2013
Total Revenue	83 136 854	73 604 198
Current Portion Of Long Term Liabilities	263 581	324 429
Ratio	315.42	228.44

Interpretation

For every R1 in current portion of long term liabilities, there is R315.32 of revenue generated by the municipality. The municipality makes sufficient revenue to pay the full debt and in addition to other expenditure.

2.

OUTSTANDING SERVICE DEBTORS TO REVENUE

	2014	2013
Trade Receivables Exchange	3 659 010	2 070 855
Consumer Debtors	35 926 954	35 257 255
Total Receivable	39 585 964	38 844 122
Revenue (179 311 536-96 174 682)	83 136 854	179 936 752
Ratio	0.48	0.23

Interpretation

In every R1 of revenue generated, the municipality has R0.48 in debtors.

3.

COST COVERAGE

	2014	2013
Bank Balance At Year End	37 889	2 349 950
Investments	35 409	284 131
Total Actual Cash Available	73 298	2 634 081
Employee Cost	69 615 960	66 470 109
Councillor's Remuneration	5 235 182	5 420 628
General Expenses	24 440 709	34 349 443
Bulk Purchases	27 714 956	91 68 910
Ratio	0.001	0.27

Interpretation

There is R0.001 actual cash available at year end for every R1 of fixed operating expenditure

Conclusion

The municipality makes sufficient revenue to cover its debt services payments; it does not collect sufficient revenue and does not have sufficient cash resources available to cover all its fixed operating expenditure.

3.5 Good Governance and Public Participation

Challenges

- ◆ Lack of sufficient involvement of communities in governance and municipal affairs in general; and
- ◆ Weak participation of ward committees in the community

Key priorities

- ◆ Ensuring maximum participation of all key stakeholders in the development of IDPs, the budgeting process, implementation and monitoring of programmes; and
- ◆ Improve the functionality of ward committees.

Key Strategies

- ◆ Ensure active involvement of communities in the planning and budgeting process;
- ◆ Build capacity of community structures to effectively engage in local governance and development processes; and
- ◆ Encourage civic responsibility and voluntarism.

Performance Highlights

- ◆ The municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2013/2014. This took the form of ward level meetings, Imbizos, road-shows as well as involvement at the level of the IDP Representative Forum.
- ◆ The municipality also organized various activities that sought to maximize involvement of communities in the affairs of the municipality while also deepening public participation. Early in 2013, the municipality unfolded a community participation campaign as part of the IDP and Budget consultation processes.
- ◆ Further in order to support the Ward Committees, the municipality decided to pay a stipend of R500 per sitting for Ward Committee members. This is in line with the Provincial Framework on Ward Committees Funding Model for Metropolitan and Local Municipalities in the Free State. The framework is geared to incentivize maximum participation and dedication of members of Ward Committees while enhancing optimal functioning of the ward Committees.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Introduction to the municipal workforce

Workforce establishment

Mafube Local Municipality is small Executive Committee type municipality with an administration of a workforce estimated at 552. The workforce in the administration headed by a Municipal Manager is made up of six section 57 managers (including the Municipal Manager) middle managers, low level officers and the general workers located in various divisions and Units ('regional offices') of the municipality. Below is a table that represents the total workforce of the municipality as at the end of the 2013-2014 financial year.

Section	Filled Posts	Vacant Posts	Total number of Posts
Office of the Mayor	7	7	14
Office of the Speaker	7	3	10
Office of the Municipal Manager	8	2	10
Service Delivery and Public Safety	19	5	24
Planning and Infrastructure Services	102	29	131
Financial Services	35	8	43
Corporate Services	23	5	28
Villiers Unit	100	49	149
Cornelia Unit	49	24	73
Tweeling Unit	52	26	78
Grand Total	402	158	560

4.2 Managing the Workforce

The municipality revised its organisational structure during 2013-2014 financial year. Below is a diagram representing the organisational structure (top level) of the municipality which was operational during the 2013-2014 financial year. The structure represents the top level structure of the municipality only showing top management while the total structure (not showing) would depict location and placement of the workforce above.

4.3 Organisational Structure

The top structure of the municipality for the period under review was as follows:



Functions and Responsibilities

The municipality is administratively organised into 6 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- ◆ Office of the Municipal Manager
- ◆ Budget and Treasury Office
- ◆ Planning and Infrastructure Services
- ◆ Community Services
- ◆ Corporate Services
- ◆ Service Delivery and Public Safety

4.4.1 Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	<ul style="list-style-type: none"> ◆ Integrated Development Planning (IDP) ◆ Local Economic Development ◆ Implementation Support

4.4.2 Budget and Treasury Office

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	<ul style="list-style-type: none"> ◆ Budgeting ◆ Credit Control, Billing and Collections ◆ Financial Accounting ◆ Budgeting and Financing ◆ Assets management ◆ Insurance and public management ◆ Banking and Investments ◆ Management Accounting ◆ Supply Chain Management ◆ Meter reading

4.4.3 Planning and Infrastructure Services

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks and ensuring provision of housing.	<ul style="list-style-type: none"> ◆ Water and sanitation ◆ Town planning ◆ Electricity ◆ Road and Storm Water ◆ Mechanical Services

4.4.4 Community Services

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	<ul style="list-style-type: none">◆ Municipal health – and primary Health Care services◆ Library Services◆ Social Development◆ Environmental Management◆ Waste Management◆ Public Safety◆ Sport and Recreation◆ Emergency Services◆ Arts and Culture◆ Cemeteries◆ Refuse Removal

4.4.5 Service Delivery and Public Safety

This programme is meant to deal with issues relating to provision of services in all units as well as traffic and security management.

Objective	Key Focus Areas
To ensure provision of basic services to the rural areas as well as ensuring that traffic and security are properly managed	<ul style="list-style-type: none">◆ Unit functioning◆ Traffic Management◆ Security Management◆ Rural Development

4.4.6 Corporate Services

This programme is meant to provide organizational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	<ul style="list-style-type: none">◆ Human resource management/development◆ Corporate Management Support◆ Information Management and Technology◆ Legal Services◆ Corporate branding◆ Committee Secretariat

4.5 Capacitating the Municipal Workforce.

Mafube Local Municipality has the responsibility to build the capacity of staff to ensure that they are ready to meet the challenges in delivering on the commitments in the IDP and acceleration of service delivery in general. To this end the municipality revised its Workplace Skills Plan and submitted it to the Department of Labour and the LGSETA.

Informed by the Workplace Skills Plan, the municipality undertook various training initiatives and placed a number of staff on various training programmes to improve their skills. Below is a brief report of the training programmes and initiatives that various staff members were placed on.

SECTION E: ANNUAL TRAINING REPORT SUMMARY

NOTE 1: In this section you are required to provide the total numbers of training beneficiaries between 1 July 2013 - 30 April 2014. This number excludes AET training and Workplace Training Systems. These numbers will be recorded in E4 and E5.

E3: TOTAL ACTUAL TRAINING BENEFICIARIES AS AT 30 APRIL 2014

LGSETA STRATEGIC FOCUS AREA	MUNICIPAL KEY PERFORMANCE AREA	MAIN IDP PRIORITY LINKED TO KEY PERFORMANCE AREA	TOTAL NUMBER TRAINED					
			EMPLOYED		TOTAL	UNEMPLOYED		TOTAL
			FEMALE	MALE	61	FEMALE	MALE	100
Infrastructure and Service Delivery	Basic Service Delivery and Infrastructure Development	Service Delivery	4	4	8	42	54	96
Community Based Participation and Planning	Good Governance and the Deepening of Democracy	Good Governance	3	1	4			4
Management and Leadership	Municipal Transformation and Institutional Development	Municipal Transformation	3	5	8	20	10	30
Financial Viability	Municipal Financial Viability and Management	Financial Viability	25	17	42			42
Community Based Participation and Planning	Sustainable Local Economic Development	Sustainable Development			0	27	18	45
SUB-TOTAL			35	28	63	69	82	151

E4: TOTAL ACTUAL ADULT EDUCATION AND TRAINING BENEFICIARIES AS AT 30 APRIL 2014

NOTE 1: Please provide a detailed breakdown of the total number of beneficiaries who received AET as indicated in G17 for the Employed and L17 for the Unemployed between 1 July 2013 - 30 April 2014.

LGSETA STRATEGIC FOCUS AREA	MUNICIPAL KEY PERFORMANCE AREA	AET BENEFICIARIES TRAINED - EMPLOYED				TOTAL	TOTAL AET BENEFICIARIES TRAINED - UNEMPLOYED				TOTAL
		AET 1	AET 2	AET 3	AET 4	30	AET 1	AET 2	AET 3	AET 4	120
Infrastructure and Service Delivery	Basic Service Delivery and Infrastructure Development			35		35					35
Community Based Participation and Planning	Good Governance and the Deepening of Democracy					0					0
Management and Leadership	Municipal Transformation and Institutional Development					0					0
Financial Viability	Municipal Financial Viability and Management					0					0
Community Based Participation and Planning	Sustainable Local Economic Development					0			120		120
TOTAL		0	0	35	0	35	0	0	120	0	120

E5: TOTAL ACTUAL WORKPLACE TRAINING SYSTEMS BENEFICIARIES AS AT 30 APRIL 2014

NOTE 1: In this section you are required to provide the total numbers trained and number training interventions between 1 July 2013 - 30 April 2014.

TYPE	DESCRIPTION	BENEFICIARIES		TOTAL	TOTAL NUMBER OF TRAINING INTERVENTIONS
		FEMALE	MALE		
Skills Development Facility Training	B Tech in Human Resources Management	1	0	1	
Local Labour Forum	None	8	8	16	
Training Committee	None	5	5	10	
TOTAL		14	13	27	8

MUNICIPAL KEY PERFORMANCE AREA	TYPE OF LEARNING INTERVENTION	NAME OF LEARNING INTERVENTION	WQF LEVEL	NUMBER TRAINED	
				FEMALE	MALE
FINANCIAL VIABILITY	LEARNERSHIP	LGAC	3	3	2
FINANCIAL VIABILITY	LEARNERSHIP	LGAC	4	2	1
GOOD GOVERNANCE	LEARNERSHIP	MFMP	5	9	10
GOOD GOVERNANCE	BURSARIES	ACMG	5	2	2
FINANCIAL VIABILITY	LEARNERSHIP	MFMA	5	3	0
FINANCIAL VIABILITY	LEARNERSHIP	FINANCIAL ACCOUNTING	6	1	1
SERVICE DELIVERY	BURSARIES	TRAFFIC MANAGEMENT	6	3	2
COMMUNITY SERVICES	BURSARIES	LAW ENFORCEMENT	6	0	1
INFRASTRUCTURE DEVELOPMENT	BURSARIES	MASTERS IN INFRASTRUCTURE MANAGEMENT	7	1	0
COMMUNITY SERVICES	BURSARIES	FLEET MANAGEMENT	6	0	1
GOOD GOVERNANCE	BURSARIES	ADVANCED MANAGEMENT PROGRAM	6	0	1
GOOD GOVERNANCE	BURSARIES	STECH IN HUMAN RESOURCES MANAGEMENT	7	1	0
GOOD GOVERNANCE	BURSARIES	PUBLIC ADMINISTRATION	5	1	0
FINANCIAL VIABILITY	BURSARIES	ASSETS MANAGEMENT	6	1	0
GOOD GOVERNANCE	SKILLS PROGRAM	PERFORMANCE MANAGEMENT	3	0	1
FINANCIAL VIABILITY	SKILLS PROGRAM	VIP PAYROLL	3	1	3
GOOD GOVERNANCE	SKILLS PROGRAM	VIP PAYROLL & HR PREMIER	3	1	1
GOOD GOVERNANCE	SKILLS PROGRAM	VIP HR PREMIER	3	3	2
FINANCIAL VIABILITY	SKILLS PROGRAM	ASSETS MANAGEMENT	4	1	2
				33	30

MUNICIPAL KEY PERFORMANCE AREA	TYPE OF LEARNING INTERVENTION	NAME OF LEARNING INTERVENTION	WQF LEVEL	NUMBER TRAINED	
				FEMALE	MALE
SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT	LEARNERSHIP	LIBRARIAN	5	20	10
SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT	LEARNERSHIP	INFORMATION TECHNOLOGY	5	27	15
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	LEARNERSHIP	CONSTRUCTION	3	25	24
GOOD GOVERNANCE AND THE DEEPENING OF DEMOCRACY	LEARNERSHIP	FIRE & RESCUE	4	9	21
GOOD GOVERNANCE AND THE DEEPENING OF DEMOCRACY	LEARNERSHIP	ORNAMENTAL HORTICULTURAL & LANDSCAPE	4	7	9
Basic Service Delivery and Infrastructure Development					

4.6 Managing the Municipal Workforce Expenditure

Mafube Local Municipality has the responsibility to build the capacity of staff to ensure that they are ready to meet the challenge delivering on the commitments in the IDP and acceleration of service delivery in general. To this end the municipality revised its Workplace Skills Plan and submitted it to the Department of Labour and the LGSETA.

4.7 Remuneration of s57.

Remuneration of Municipal Manager: Radebe PI		
	2014	2013
Annual Remuneration	548,345	664,710
Backpay	4,354	25,653
Contributions to SDL	9,265	9,904
Contributions to UIF	1,784	1,718
Medical Aid and Pension Fund	310,157	38,947
Leave payout	-	134,306
Travel Allowance	224,729	213,978
Total	1,098,635	1,089,216

Remuneration of Acting Director Infrastructure: M Maboya		
	2014	2013
Annual Remuneration	159,387	205,000
Backpay	29,440	-
Contributions to SDL	2,762	2,481
Contributions to UIF	595	595
Contribution to Pension Fund	33,121	31,949
Travel Allowance	53,129	68,333
	29,440	
Total	335,248	308,358

Remuneration of Acting Director Public Safety and Service Delivery: MS Malindi

	2014	2013
Acting Allowance	10,998	-
Annual Remuneration	618,316	626, 233
Backpay	3,566	19,701
Contributions to SDL	8,553	6,829
Contributions to UIF	1,636	3,090
Contribution to Pension Fund	139,371	122,925
Leave payout	148,910	-
Travel Allowance	95,882	99,800
Total	1,027,232	878,578

Remuneration of Director Corporate Services: IRE Radebe

	2014	2013
Acting Allowance	6,515	-
Annual Remuneration	721,224.09	631, 531
Cell phone Allowance	16,000.00	-
Backpay	3,943	19, 701
Contributions to SDL	8,245	8 375
Contributions to UIF	1,785	1,718
	-	109,479
Contributions to pension fund	-	-
Travel Allowance	96,000.00	96 000
Total	853,712	866,804

Remuneration of Director Community Services; ZE Motokeng		
	2014	2013
Annual Remuneration	596,527	583 232.00
Backpay	3,566	19 701
Contributions to SDL	7,464	6 864
Contributions to UIF	1,785	1 593.00
UIF Allowance	1,761	-
Contribution to Medical Aid	14,631	-
Contribution to Pension Fund	92,834	88, 530
Travel Allowance	204,306	144 299
Total	922,874	844, 219

Remuneration of Chief Financial Officer; NA Hlubi		
	2014	2013
Annual Remuneration	93,250	-
Car Allowance	18,000	-
Contributions to SDL	1,077	-
Contributions to UIF	-297	-
Total	112,624	-

Remuneration of Chief Financial Officer (Acting G.Gwanya)		
	2014	2013
Annual Remuneration	261,950	84,883
Car Allowance	132,118	41,658
Acting Allowance	346,317	129,083
Backpay	3,566	-
Medical and Pension Funds	50,871	16,984
Contribution to SDL	7,067	2,283
Contribution to UIF	1,785	571
Total	803,674	275,462

Mr G.Gwanya was appointed as the Acting CIO after the resignation of the CFO Mr NN Molefein March 2013 and acted until April 2014. Mr Hlubi was officially appointed on the 15 May 2014.

CHAPTER 5: Financial Performance for the year ended 30 June 2014

This Chapter presents a summary of financial performance of the municipality for the year ending June 2014 with particular focus on the following components:

❖ Component A: Statement of Financial Performance

	Note(s)	2014	2013
Revenue			
Service charges	23	47,117,457	43,222,421
Royalty income		549,867	648,011
Rental of facilities	36	543,056	151,086
Administration and management of fees received		538,696	772,173
Recoveries		1,070,688	2,594,934
Other income	26	770,175	2,244,696
Interest received investment	31	12,998,767	7,514,847
Total Revenue		63,588,706	57,148,168
		2014	2013
Expenditure			
Personnel	31	(69 615 960)	(66 470 109)
Remuneration of Councillors	32	(5 235 182)	(5 420 628)
Depreciation and amortisation	33	(122 993 232)	(123 676 891)
Finance costs	34	(6 566 642)	(7 278 597)
Debt impairment	35	(37 976 426)	(40 276 463)
Repairs and maintenance		(11 206 908)	(15 246 022)
Bulk purchases	36	(27 714 956)	(9 168 910)
Grants and subsidies paid	37	(6 746 501)	(7 529 210)
General expenses	38	(24 440 709)	(34 349 443)
Total Expenditure		(312 496 516)	(309 416 273)
Operating deficit		(133,184,980)	(123,513,942)
Fair value adjustments	39	-	(99,413)
Gain on disposal of assets		-	608,632
		-	(509,219)
Deficit for the year		(133,184,980)	(123,004,723)

Capital Expenditure of Projects	
Project Description	Total Actual Expenditure for 2013/2014
PMU 2013/2014	1, 226,650.00
Qalabotjha: Construction of a weir in the Vaal River	-
Cornelia/Ntswanatsatsi Bucket Eradication	155,642.27
Namahadi: Upgrading of gravel roads to paved roads and storm water drainage(4,7km) (MIS: 174361)	777,126.60
Namahadi: Construction of Water Reticulation with 1714 Erf Connections (MIS 181245)	3,317,067.01
Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	11,136,557.90
Mafahlaneng/Tweeling: Upgrading of Sports Ground (MIS: 211474)	721,829.40
Qalabotjha/Villiers: Construction of a New 6.5 ML Water Reservoir	1,176,557.49
Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	-
Namahadi/Frankfort: Upgrade of Zomba Stadium	-
Total	

◆ Component B: Spending against Capital Budget

Description	Cash Flow Outcomes	
	2014	2013
Cash flows from operating activities		
Receipts		
Property Rates and Services charges	21,155,325	20,787,130
Sale of Goods and Services	6,967,995	-
Grants	104,741,591	117,501,378
Interest Income	12,998,767	7,514,847
Other receipts	3,472,482	2,840,799
	(149,336,160)	(148,644,154)
Payments		
Employee costs	74,851,142	62,449,965
Suppliers	36,451,634	32,366,595
Finance costs	5,853,682	7,041,258
Other payments	6,882,677	7,529,210
Other cash item	-	617,335
	124,039,135	110,004,363
Net cash flows from operating activities	25,297,025	46,659,791

Municipal Investments

Investment Type			
Cheque Account	37,889	2,349,950	642,061
Call Account	21,272	2,226	55,056
Friends of the Poor	11,771	119,738	48,913
Operation Hlasela	2,366	2,366	12,160
Fixed Deposit	--	159,861	152,780
Total Investments	73,298	2,634,141	910,970

CHAPTER 6:

Annual Financial Statements for the year ended 30 June 2014

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.
The following is included in the scope of operation	Area FS205, as local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS205.
Municipal Council	
Mayor	Sigasa JE*
Councillors	Moloi TM (Speaker) Mosia MA* Du Plessis MC* Jafta UC Kubheka LS Mofokeng MM Moloi TM (Speaker) Mosia AS Hlongwane JJ Monaune PM Motloung P Motloung WC Pretorius JJ Sekhoto MM Xaba NE Hadebe M * Executive Council Member
Grading of local authority	Medium capacity, category B municipality's defined by the Municipal Structures Act, 1998 (Act No 117 of 1998).
Chief Finance Officer (CFO)	NA Hlube (Appointed 01/04/2014) G Gwanya (Acting since 03/2013)
Accounting Officer	PI Radebe
Business address	64 JJ Hadebe Street Frankfort Free State 9830
Postal address	PO Box 2 Frankfort Free State 9830
Bankers	ABSA Bank Limited
Auditors	Auditor-General
Attorneys	Richter and Boshoff Attorneys

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

General Information

Enabling Legislation

Municipal Finance Management Act, 2003 (Act No.56 of 2003)

Municipal Structures Act, 1998 (Act No. 17 of 1998)

Municipal Systems Act, 2000 (Act No. 32 of 2000)

Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)

Website

www.mafube.gov.za

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis, were approved by the audit committee on 29 August 2013 and were signed on its behalf below.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..

PI Radebe
Municipal Manager

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2014.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interests of the local community mainly in the mafube area. and operates principally in Free State (Fezile Dabi District).

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

2. Going concern

The municipality is experiencing financial difficulties, the following indicators are as follows:

- (a) Suppliers were not paid within the legislative period of 30 days, as required by section 64 of the MFMA;
- (b) The municipality defaulted on the repayment of the DBSA non-current borrowings which has led to the restructuring of the borrowings
- (c) Conditional grants have not been spent within the required period and have thus, been used for operating purposes;
- (d) Although the VAT returns have been submitted on time for the financial year, payments were not made within the required period after submission.
- (e) PAYE, UIF and SDL were not submitted and paid over on time to SARS.
- (f) Statutory deductions made from the employee's salaries have not been paid over to third parties on time;
- (g) Employee benefit obligations are unfunded.
- (h) Revenue collection rate has at no point of the financial year exceeded or reached 90% of the total monthly billing.

The municipality is currently exploring alternative means to improve its financial position.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

5. Details of the Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
PI Radebe	South African

6. Auditors

Auditor-General will continue in office for the next financial period.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	8	370,635	539,196
Other financial assets	6	31,415	121,056
Receivables from exchange transactions	9	3,659,010	2,070,855
Receivables from non-exchange transactions	10	1,947,305	3,586,867
Consumer receivables from exchange transactions	11	35,926,954	35,257,255
Cash and cash equivalents	12	64,367	2,699,097
		41,999,686	44,274,326
Non-Current Assets			
Investment property	3	44,487,936	44,868,286
Property, plant and equipment	4	1,584,659,877	1,681,116,741
Intangible assets	5	166,008	-
Other financial assets	6	323,705	296,611
		1,629,637,526	1,726,281,638
Total Assets		1,671,637,212	1,770,555,964
Liabilities			
Current Liabilities			
Other financial liabilities	15	263,581	324,429
Finance lease obligation	13	868,586	790,164
Payables from exchange transactions	17	171,009,712	150,196,314
VAT payable	18	13,388,504	7,628,085
Consumer deposits	19	786,920	702,102
Unspent conditional grants and receipts	14	21,611,165	13,044,256
		207,928,468	172,685,350
Non-Current Liabilities			
Other financial liabilities	15	1,823,689	1,752,745
Finance lease obligation	13	366,722	1,414,540
Employee benefit obligation	7	11,474,814	11,474,814
Provisions	16	3,089,832	3,089,832
		16,755,057	17,731,931
Total Liabilities		224,683,525	190,417,281
Net Assets		1,446,953,687	1,580,138,683
Accumulated surplus		1,446,953,692	1,580,138,672

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	23	47,117,457	43,222,421
Royalty income		549,867	648,011
Rental of facilities and equipment	36	543,056	151,086
Administration and management fees received		538,696	772,173
Recoveries		1,070,688	2,594,934
Other income	26	770,175	2,244,696
Interest received - investment	31	12,998,767	7,514,847
Total revenue from exchange transactions		63,588,706	57,148,168
Revenue from non-exchange transactions			
Taxation revenue			
Fines		73,870	133,744
Property rates	22	19,474,278	16,322,286
Transfer revenue			
Government grants & subsidies	24	96,174,682	112,298,133
Total revenue from non-exchange transactions		115,722,830	128,754,163
Total revenue	21	179,311,536	185,902,331
Expenditure			
Personnel	28	(69,615,960)	(66,470,109)
Remuneration of councillors	29	(5,235,182)	(5,420,628)
Depreciation and amortisation	33	(122,993,232)	(123,676,891)
Finance costs	34	(6,566,642)	(7,278,597)
Debt impairment	30	(37,976,426)	(40,276,463)
Repairs and maintenance		(11,206,908)	(15,246,022)
Bulk purchases	38	(27,714,956)	(9,168,910)
Grants and subsidies paid	37	(6,746,501)	(7,529,210)
General Expenses	27	(24,440,709)	(34,349,443)
Total expenditure		(312,496,516)	(309,416,273)
Operating deficit		(133,184,980)	(123,513,942)
Fair value adjustments	32	-	(99,413)
Gain on disposal of assets		-	608,632
		-	509,219
Deficit for the year		(133,184,980)	(123,004,723)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2012	1,703,143,395	1,703,143,395
Changes in net assets		
Surplus for the year	(123,004,723)	(123,004,723)
Total changes	(123,004,723)	(123,004,723)
Balance at July 1, 2013	1,580,138,672	1,580,138,672
Changes in net assets		
Surplus for the year	(133,184,980)	(133,184,980)
Total changes	(133,184,980)	(133,184,980)
Balance at June 30, 2014	1,446,953,692	1,446,953,692
Note(s)		

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Property Rates and service charges		21,155,325	20,787,130
Sale of Goods and Services		6,967,995	-
Grants		104,741,591	117,501,378
Interest income		12,998,767	7,514,847
Other receipts		3,472,482	2,840,799
		<u>149,336,160</u>	<u>148,644,154</u>
Payments			
Employee costs		(74,851,142)	(62,449,965)
Suppliers		(36,451,634)	(32,366,595)
Finance costs		(5,853,682)	(7,041,258)
Other payments		(6,882,677)	(7,529,210)
Other cash item		-	(617,335)
		<u>(124,039,135)</u>	<u>(110,004,363)</u>
Net cash flows from operating activities	39	<u>25,297,025</u>	<u>38,639,791</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(25,642,024)	(34,506,387)
Proceeds from sale of property, plant and equipment	4	-	993,644
Purchase of other intangible assets	5	(199,210)	-
Proceeds from sale of financial assets		62,547	(43,874)
Net cash flows from investing activities		<u>(25,778,687)</u>	<u>(33,556,617)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		10,096	(177,958)
Finance lease payments		(1,682,356)	398,467
Finance lease receipts		-	(2,510,965)
Net cash flows from financing activities		<u>(1,672,260)</u>	<u>(2,290,456)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2,153,922)</u>	<u>2,792,718</u>
Cash and cash equivalents at the beginning of the year		2,699,097	(2,794,348)
Cash and cash equivalents at the end of the year	12	<u>545,175</u>	<u>(1,630)</u>

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	(32,447,089)	64,894,178	32,447,089	47,117,457	14,670,368
Royalty income	(3,586,720)	7,173,440	3,586,720	549,867	(3,036,853)
Rental of facilities and equipment	(43,905)	87,810	43,905	543,056	499,151
Administration and management fees received	(917,876)	1,835,752	917,876	538,696	(379,180)
Recoveries	-	331	331	1,070,688	1,070,357
Other income - (rollup)	(353,616)	707,232	353,616	770,175	416,559
Interest received - investment	(2,689,900)	5,379,800	2,689,900	12,998,767	10,308,867
Total revenue from exchange transactions	(40,039,106)	80,078,543	40,039,437	63,588,706	23,549,269

Revenue from non-exchange transactions

Taxation revenue

Direct taxes (Income tax, estate duty)	(3,000,000)	6,000,000	3,000,000	73,870	(2,926,130)
Property rates	(32,863,221)	65,726,442	32,863,221	19,474,278	(13,388,943)
Government grants & subsidies	(133,150,000)	266,300,000	133,150,000	96,174,682	(36,975,318)
Total revenue from non-exchange transactions	(169,013,221)	338,026,442	169,013,221	115,722,830	(53,290,391)

Total revenue

(209,052,327)	418,104,985	209,052,658	179,311,536	(29,741,122)
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Expenditure

Personnel	(71,014,920)	-	(71,014,920)	(69,615,960)	1,398,960
Remuneration of councillors	(4,486,566)	-	(4,486,566)	(5,235,182)	(748,616)
Depreciation and amortisation	-	-	-	(122,993,232)	(122,993,232)
Finance costs	(242,473)	-	(242,473)	(6,566,642)	(6,324,169)
Debt impairment	(3,150,000)	-	(3,150,000)	(37,976,426)	(34,826,426)
Repairs and maintenance	(9,552,593)	-	(9,552,593)	(11,206,908)	(1,654,315)
Bulk purchases	(10,500,000)	-	(10,500,000)	(27,714,956)	(17,214,956)
Grants and subsidies paid	(90,544,000)	151,088,000	60,544,000	(6,746,501)	(67,290,501)
General Expenses	(30,645,181)	151,776,730	121,131,549	(24,440,709)	(145,572,258)

Total expenditure	(220,135,733)	302,864,730	82,728,997	(312,496,516)	(395,225,513)
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Deficit before taxation	(429,188,060)	720,969,715	291,781,655	(133,184,980)	(424,966,635)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(429,188,060)	720,969,715	291,781,655	(133,184,980)	(424,966,635)
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Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014										
Financial Performance										
Property rates	(32,863,221)	65,726,442	32,863,221	-	32,863,221	19,474,278	-	(13,388,943)	59 %	(59)%
Service charges	(32,447,089)	64,894,178	32,447,089	-	32,447,089	47,117,457	-	14,670,368	145 %	(145)%
Investment revenue	(2,689,900)	5,379,800	2,689,900	-	2,689,900	12,998,767	-	10,308,867	483 %	(483)%
Transfers recognised - operational	(108,617,000)	217,234,000	108,617,000	-	108,617,000	81,227,399	-	(27,389,601)	75 %	(75)%
Other own revenue	(4,902,117)	12,804,565	7,902,448	-	7,902,448	3,546,352	-	(4,356,096)	45 %	(72)%
Total revenue (excluding capital transfers and contributions)	(181,519,327)	366,038,985	184,519,658	-	184,519,658	164,364,253	-	(20,155,405)	89 %	(91)%
Employee costs	(71,014,920)	-	(71,014,920)	-	(71,014,920)	(69,615,960)	-	1,398,960	98 %	98 %
Remuneration of councillors	(4,486,566)	-	(4,486,566)	-	(4,486,566)	(5,235,182)	-	(748,616)	117 %	117 %
Debt impairment	(3,150,000)	-	(3,150,000)	-	(3,150,000)	(37,976,426)	-	(34,826,426)	1,206 %	1,206 %
Depreciation and asset impairment	-	-	-	-	-	(122,993,232)	-	(122,993,232)	DIV/0 %	DIV/0 %
Finance charges	(242,473)	-	(242,473)	-	(242,473)	(6,566,642)	-	(6,324,169)	2,708 %	2,708 %
Materials and bulk purchases	(10,500,000)	-	(10,500,000)	-	(10,500,000)	(27,714,956)	-	(17,214,956)	264 %	264 %
Transfers and grants	(90,544,000)	151,088,000	60,544,000	-	60,544,000	(6,746,501)	-	(67,290,501)	(11)%	7 %
Other expenditure	(40,197,774)	688,730	(39,509,044)	-	(39,509,044)	(35,647,617)	-	3,861,427	90 %	89 %
Total expenditure	(220,135,733)	151,776,730	(68,359,003)	-	(68,359,003)	(312,496,516)	-	(244,137,513)	457 %	142 %
Surplus/(Deficit)	(401,655,060)	517,815,715	116,160,655	-	116,160,655	(148,132,263)	-	(264,292,918)	(128)%	37 %

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(24,533,000)	49,066,000	24,533,000	-	24,533,000	14,947,283		(9,585,717)	61 %	(61)%
Surplus (Deficit) after capital transfers and contributions	(426,188,060)	566,881,715	140,693,655	-	140,693,655	(133,184,980)		(273,878,635)	(95)%	31 %
Surplus/(Deficit) for the year	(426,188,060)	566,881,715	140,693,655	-	140,693,655	(133,184,980)		(273,878,635)	(95)%	31 %
Capital expenditure and funds sources										
Total capital expenditure	(615,125,380)	615,125,380	39,705,662	-	39,705,662	1,553,224,220		1,513,518,558	3,912 %	(253)%

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Acquisition dates of Property, Plant and Equipment

The assumptions used to determine the acquisition dates for items of Property, Plant and Equipment that have been recognised for the first time as part of the reconstruction of the immovable asset register is as follows (in order of application):

- Dates from existing asset register;
- Keystone or inscription on the asset;
- Dates from Delphi Group workshops;
- Asset material or technology (i.e. PVC pipes were not implemented before a particular date);
- Dates of township proclamation;
- Information from residents.

Additional text

Other

Other

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property excludes owner-occupied property that is used in the production or supply of goods and services or for administrative purposes, or property held to provide social services.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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Accounting Policies

1.4 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	7-80 years

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) or property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Mafube Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent cost

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Motor vehicles	
• Vehicles, tractors and trailers	5-7 years
Infrastructure	
• Electricity network	10-80 years
• Water network	10-80 years
• Roads and bridges	7-50 years
• Sanitation	7-80
• Solid waste - Landfills	15-75 years
Community	
• Cemeteries	15-80 years
• Livestock facilities*	7-80 years
• Municipal buildings	7-80 years
• Parks and gardens	7-80 years
• Sport facilities	7-80 years
• Housing*	7-80 years
Other property, plant and equipment	
• Computer equipment	3-10 years
• Office equipment	3-5 years
• Furniture and fixtures	3-10 years
• Other	3-10 years
Leased assets	3-5 years
Landfill rehabilitation asset	30-72 years

*The useful lives of Livestock facilities and Housing were updated with the review and submission of the revised infrastructure register. No disclosures relating to the change in the estimated useful lives has been made as not depreciation were provided in the prior year on infrastructure assets. All changes were accounted for under note ... - Prior year errors.

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Mafube Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the cost are clearly associated with an identifiable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e. non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment loss.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.7 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial asset measured at amortised cost
Receivables	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Non-current borrowings	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost
Finance Lease liabilities	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

Class	Category
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Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.9 Tax

Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scope out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Mafube Local Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Mafube Local Municipality

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Accounting Policies

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The municipality consider the following indicators, in assessing whether there is any indication that an asset may be impaired:

External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset
- Significant long-term changes with an adverse effect have taken place during the period in the technological, legal or government policy environment in which it operates.

Internal sources of information

- Evidence is available of physical damage of an asset
- Significant long-term changes with an adverse effect during the period in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected

Value in use

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.15 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised, except in entity combinations.

Contingencies are disclosed in note...

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Use by others of the entity's assets

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The comparative figures have been restated, additional disclosures are included in note 44.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

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1.23 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Subsequent events

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The approved budget covers the period from 1 July 2012 to 30 June 2013.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.28 Public private partnership

The municipality has the following PPP's

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal network, inclusive of the revenue management process, as well as the implementation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/ initial assets ("network assets") and will also install new assets ("investment assets"). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the network and shall ensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the investment assets will transfer to the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Rural shall pay to the Municipality a monthly royalty for the use of the Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be entitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statements will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shall bear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respect of all demonstrable losses and damages including but not limited to, loss of future income as well as market-related compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years' notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guideline when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;

The municipality controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

The underlying assets in the arrangement are recognised by the municipality;

Any unitary payments made are split between the asset and service element;

The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private party will receive a consideration from the municipality).

1.29 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note

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2. New standards and interpretations

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47,150,384	(2,662,448)	44,487,936	47,150,384	(2,282,098)	44,868,286

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	44,868,286	(380,350)	44,487,936

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	45,248,635	(380,349)	44,868,286

Fair value of investment properties	80,052,955	80,052,955
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	12,520,696	(4,306,610)	8,214,086	12,109,567	(1,923,526)	10,186,041
Infrastructure	2,089,564,849	(749,828,883)	1,339,735,966	2,089,564,849	(637,410,741)	1,452,154,108
Community	175,208,452	(39,818,415)	135,390,037	173,680,243	(33,960,743)	139,719,500
Other property, plant and equipment	2,474,982	(1,278,383)	1,196,599	1,717,854	(470,950)	1,246,904
Landfill Rehabilitation Asset	2,687,640	(311,525)	2,376,115	2,964,000	(311,525)	2,652,475
Leased Asset	2,613,851	(1,183,620)	1,430,231	2,510,965	(346,631)	2,164,334
Work in Progress	96,316,843	-	96,316,843	72,993,379	-	72,993,379
Total	2,381,387,313	(796,727,436)	1,584,659,877	2,355,540,857	(674,424,116)	1,681,116,741

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Motor vehicles	10,186,041	411,129	(2,383,084)	8,214,086
Infrastructure	1,452,154,108	-	(112,418,142)	1,339,735,966
Community	139,719,500	1,528,209	(5,857,672)	135,390,037
Other property, plant and equipment	1,246,904	276,337	(326,642)	1,196,599
Landfill Rehabilitation Asset	2,652,475	-	(276,360)	2,376,115
Leased Asset	2,164,334	102,885	(836,988)	1,430,231
Work in Progress	72,993,379	23,323,464	-	96,316,843
	1,681,116,741	25,642,024	(122,098,888)	1,584,659,877

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Motor vehicles	13,304,705	869,164	(774,312)	(2,216,011)	(997,505)	10,186,041
Infrastructure	1,564,572,250	-	-	(112,418,142)	-	1,452,154,108
Community	144,648,049	929,123	-	(5,857,672)	-	139,719,500
Other property, plant and equipment	799,454	759,154	(26,433)	(275,918)	(9,353)	1,246,904
Landfill rehabilitation asset	2,687,640	-	-	(35,165)	-	2,652,475
Leased assets	773,709	2,510,965	(192,899)	(927,441)	-	2,164,334
Work in progress	43,555,398	29,437,981	-	-	-	72,993,379
	1,770,341,205	34,506,387	(993,644)	(121,730,349)	(1,006,858)	1,681,116,741

Pledged as security

No property, plant and equipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note....

Assets subject to finance lease (Net carrying amount)

Leased assets - Photo copier machines	1,430,231	2,164,334
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Mafube Local Municipality

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Notes to the Financial Statements

Figures in Rand	2014	2013
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5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,946,607	(1,780,599)	166,008	1,747,397	(1,747,397)	-

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	199,210	(33,202)	166,008

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	202,500	(202,500)	-

Pledged as security

No intangible asset was pledged as security for any financial liability.

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

6. Other financial assets

Loans and Receivables at amortised cost

VKB Agriculture Limited - Short term member loan 14,845 6,573

VKB Agriculture Limited - Short term member loan

The member loan bears interest at 4.5% per annum (2012:5%) and is available on demand

VKB Agriculture Limited - Security member loan 11,570 109,483

When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan bears interest at 4.5% (2012: 5%) per annum and is payable on demand after settling any outstanding balance on the trading account.

VKB Agriculture Limited - Member Funds 244,370 217,276

The member funds arises from awards earned by members based on purchases.

Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.

VKB Agriculture Limited - Membership 5,000 5,000

The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.

VKB Agriculture Limited - Reserves 79,335 79,335

The reserves arises from special awards allocated to members. special awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.

355,120 417,667

Mafube Local Municipality

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Figures in Rand	2014	2013
6. Other financial assets (continued)		
Non-current assets		
Loans and receivables	323,705	296,611
Current assets		
Loans and Receivables	31,415	121,056

7. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which -% (2013: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post retirement medical aid plan

The municipality has a post employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

Long service benefits

The municipality's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five year's service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(11,474,814)	(11,474,814)
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These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11,474,814	10,947,945
Benefits paid and contributions made	-	(913,755)
Net expense recognised in the statement of financial performance	-	1,440,624
	11,474,814	11,474,814

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Notes to the Financial Statements

Figures in Rand	2014	2013
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7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	-	517,922
Past service cost	-	823,289
Actuarial (gains) losses	-	99,413
	-	1,440,624

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	-	99,413
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	- %	7.75 %
Medical Aid Inflation rate	- %	6.75 %
Salary escalation rate	- %	6.25 %

Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme options as at 1 January 2013. Retirement age, it has been assumed that both male and female members retire at age 65. No allowance has been made for early retirement either due to ill health or at the option of the member. Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement. Pre-retirement, mortality or continuation members and withdrawals rates are in accordance with SA85-90 male and female tables. Post retirement, mortality of continuation members and withdrawals rates are in accordance with PA(90) ultimate male and female tables with a 2 year reduction in age, assuming that there is a 4 year age difference between male and female spouse. The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS 19.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Increase in defined benefit obligation	-	895,944
Increase in service and interest cost	-	76,825

The municipality expects to pay benefits of 2013: R483 813 towards post retirement medical aid and 2013: R338 016 towards long service benefits to its employee benefits in 2014.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	-	(11,474,814)	(10,947,945)	(9,624,299)	(3,685,000)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

7. Employee benefit obligations (continued)

Defined contribution plan

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

South African Local Authorities Pension Fund (SALA)

Free State Municipal Pension Fund (FSMPF)

Municipal Councillors Pension Fund (MCPF)

This is in line with the exemption in IAS19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the employer plan. It is therefore, deemed impracticable to obtain this information at a suitable level of detail.

South African Local Authorities Pension Fund (SALA)

Some employees belong to the South African Local Authorities Pension Fund (SALA). The latest actuarial valuation of the fund was 1 July 2011. The valuation indicated that the fund is in sound financial position. The actuarial valuation state that the fund is currently 98% (2012:96%) funded by employer contributions. This has remained stable since the previous valuation date. If the current employer contribution rate is maintained fund is expected to be close to 100% funded at the next statutory valuation. The total liabilities of the fund are R.. (2013: R8 172 million) which are financed by net assets of 2013: R8 014million.

Free State Municipal Pension Fund (FSMPF)

Some employees belong to the Free State Municipal Pension Fund (FSMPF). The latest actuarial valuation of the fund was 30 June 2005. The valuation indicated that the fund is in sound financial position. The total liabilities of the fund are 2013: R1 308million which are financed by net asset of 2013: R1 530 million.

Municipal Councillors Pension Fund (MCPF)

Some of the Councillors belong to the Municipal Councillors Pension Fund (MCPF). The latest actuarial valuation of the fund was 30 June 2009. The valuation indicated that the fund is in a financially sound position. An interim actuarial valuation of the fund was carried out as at 30 June 2010, the net assets available for benefits amounted to R1 483million and the contingency reserve account balance amounted to R36 million.

8. Inventories

Consumable stores	137,510	306,071
Water	233,125	233,125
	370,635	539,196

Expensed inventory

Inventory recognised as expenditure during the year	995,767	167,705
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Inventory pledged as security

No Inventory was pledged as security for any financial liability.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
9. Receivables from exchange transactions		
Councillor overpayment	2,700,802	2,700,802
Councillor overpayment receivable - Impairment	(863,037)	(863,037)
Other receivable*	1,849,245	228,690
Sundry receivables	20,000	4,400
Mayoral Functions	(48,000)	-
	3,659,010	2,070,855

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The carrying value of the receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables that are fully performing have been renegotiated in the last year.

The municipality does not hold any collateral as security

Reconciliation of provision for impairment of trade and other receivables

Opening balance	863,037	-
Provision for impairment	-	863,037
	863,037	863,037

10. Receivables from non-exchange transactions

Rates - Impairment	(15,091,223)	(12,246,285)
Rates	17,038,528	15,833,152
	1,947,305	3,586,867

Ageing

Rates

Current (0 - 30days)	1,031,381	1,812,807
31 - 60 days	682,759	621,213
61 - 90 days	574,912	600,171
91+ days	14,485,675	12,798,961
	16,774,727	15,833,152

Receivables from non-exchange transactions impaired

As of June 30, 2014, other receivables from non-exchange transactions of R16 774 727 -00 (2013: R15 833 152 -00) were impaired and provided for.

The amount of the provision was R 15 091 223- as of June 30, 2014 (2013: R12 246 285 -).

The ageing of these loans is as follows:

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
10. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(12,246,285)	(9,137,307)
Provision for impairment	(2,992,203)	(3,108,978)
Amounts written off as uncollectible	147,265	-
	(15,091,223)	(12,246,285)
The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.		
The maximum exposure to credit risk at the reporting date is the fair value of the receivable.		
None of the receivables were pledged as security for any financial liability.		
11. Consumer debtors		
Gross balances		
Electricity	5,280,866	4,418,512
Water	67,555,629	45,663,597
Sewerage	58,800,219	37,707,897
Refuse	54,046,457	34,775,235
Sundry consumer services	2,805,609	31,017,395
	188,488,780	153,582,636
Less: Allowance for impairment		
Electricity	(5,025,615)	(3,409,403)
Water	(45,273,669)	(35,053,125)
Sewerage	(36,867,243)	(29,096,086)
Refuse	(35,212,853)	(26,833,192)
Sundry consumer services	(30,182,446)	(23,933,575)
	(152,561,826)	(118,325,381)
Net balance		
Electricity	255,251	1,009,109
Water	22,281,960	10,610,472
Sewerage	21,932,976	8,611,811
Refuse	18,833,604	7,942,043
Sundry consumer services	(27,376,837)	7,083,820
	35,926,954	35,257,255
Electricity		
Current (0 -30 days)	34,647	-
31 - 60 days	34,480	-
61 - 90 days	37,192	-
91+ days	148,932	1,009,109
	255,251	1,009,109

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
11. Consumer debtors (continued)		
Water		
Current (0 -30 days)	2,063,365	3,243,773
31 - 60 days	2,039,834	1,115,738
61 - 90 days	1,705,201	1,507,172
91+ days	16,473,560	4,508,282
Unmetered Consumption	-	235,507
	22,281,960	10,610,472
Sewerage		
Current (0 -30 days)	1,552,860	2,112,076
31 - 60 days	1,439,690	961,131
61 - 90 days	1,402,550	956,657
91+ days	17,537,876	4,581,947
	21,932,976	8,611,811
Refuse		
Current (0 -30 days)	1,397,227	1,904,025
31 - 60 days	1,311,060	885,828
61 - 90 days	1,281,850	885,459
91 - 120 days	14,843,467	4,266,731
	18,833,604	7,942,043
Sundry consumer services		
Current (0 -30 days)	94,704	2,264,064
31 - 60 days	67,281	1,074,593
61 - 90 days	26,048	1,046,167
91+ days	(27,564,870)	2,698,996
	(27,376,837)	7,083,820

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 - 30 days)	10,172,957	8,721,494
31 - 60 days	4,539,139	3,821,416
61 - 90 days	4,989,832	4,123,450
91+ days	173,030,919	124,298,337
	<u>192,732,847</u>	<u>140,964,697</u>
Less: Provision for debt impairment	(155,301,604)	(129,657,382)
	<u>37,431,243</u>	<u>11,307,315</u>
Municipal and government		
Current (0 - 30 days)	581,614	1,069,448
31 - 60 days	247,336	175,741
61 - 90 days	248,123	183,342
91+ days	5,907,088	5,788,942
	<u>6,984,161</u>	<u>7,217,473</u>
Less: Provision for debt impairment	(5,572,500)	(259,364)
	<u>1,411,661</u>	<u>6,958,109</u>
Business and Industrial		
Current (0 - 30 days)	902,227	1,548,315
31 - 60 days	210,523	661,607
61 - 90 days	212,839	688,834
91+ days	7,079,243	17,939,384
	<u>8,404,832</u>	<u>20,838,140</u>
Less: Provision for debt impairment	(6,806,149)	(654,920)
	<u>1,598,683</u>	<u>20,183,220</u>
Total		
Current (0 - 30 days)	11,656,798	11,339,257
31 - 60 days	4,996,998	4,658,764
61 - 90 days	5,450,794	4,995,626
91+ days	13,822,364	14,263,608
	<u>35,926,954</u>	<u>35,257,255</u>
Less: Allowance for impairment		
91 - 120 days	(152,561,826)	(118,325,381)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(118,325,381)	(82,758,901)
Contributions to allowance	(34,984,223)	(36,304,448)
Amounts written off as uncollectable	747,778	737,968
	<u>(152,561,826)</u>	<u>(118,325,381)</u>

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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11. Consumer debtors (continued)

Credit quality of consumer debtors

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables were pledged as security for any financial liability.:

Consumer debtors impaired

The amount of the provision was R 152 441 767-00 as of June 30, 2014 (2013: R11 8325 -00).

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(118,325,381)	(82,758,901)
Allowance for impairment	(34,984,223)	(36,304,448)
Amounts written off as uncollectible	867,837	737,968
	(152,441,767)	(118,325,381)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	28,957	2,414,966
Short-term deposits	35,410	284,131
	64,367	2,699,097

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
ABSA Limited - Primary cheque account - 40-5282-3517	37,889	2,349,950	642,061	28,957	2,414,966	(3,124,278)
ABSA Limited - Call account-Savings - 90-9011-1270	21,272	2,226	55,056	21,272	2,226	55,056
ABSA Limited- Call account- Friends of the poor - 92-2961-8782	11,771	119,738	48,913	11,771	119,738	48,913
ABSA - Call account- Operation Hlasela - 92-3238-7538	2,366	2,366	12,160	2,366	2,306	12,160
ABSA Limited - Deposit account - 20-6691-9592	-	159,861	152,780	-	159,861	152,780
Total	73,298	2,634,141	910,970	64,366	2,699,097	(2,855,369)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
13. Finance lease obligation		
Minimum lease payments due		
- within one year	965,793	965,793
- in second to fifth year inclusive	563,380	1,529,173
	<u>1,529,173</u>	<u>2,494,966</u>
less: future finance charges	(114,632)	(290,262)
Present value of minimum lease payments	<u>1,414,541</u>	<u>2,204,704</u>
Present value of minimum lease payments due		
- within one year	868,586	790,164
- in second to fifth year inclusive	545,955	1,414,540
	<u>1,414,541</u>	<u>2,204,704</u>
Non-current liabilities	366,722	1,414,540
Current liabilities	868,586	790,164
	<u>1,235,308</u>	<u>2,204,704</u>

The municipality lease photo copier machines under finance lease. The lease term is 3 years and the average effective borrowing rate was 9.5% (2013:9.5%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets to the carrying value of R1 325 231.57 (2013: R2 164 334).

The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions were renegotiated.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	16,738,146	7,152,429
Expanded Public Work Programme Integrated (EPWP)	1,242,823	889,380
Integrated National Electrification Grant	776,235	5,002,447
Finance Management Grant	127	-
Electricity Efficiency Grant (Demand)	2,853,834	-
	<u>21,611,165</u>	<u>13,044,256</u>

Movement during the year

Balance at the beginning of the year	13,044,256	7,841,011
Additions during the year	33,072,700	42,164,972
Income recognition during the year	(24,505,791)	(36,961,727)
	<u>21,611,165</u>	<u>13,044,256</u>

The balances will be recognised as revenue when the qualifying expenditure is incurred. See note .. for detail of other grants received from other spheres of government.

An amount of R 2 900 000.(2013: R2 239 000) was fortified in respect of the unspent portion of the Integrated National Electrification Programme grant and Municipal Infrastructure grant amounting to R1 100 000 and R1 800 000 respectively, and was withheld from the Equitable share of the municipality during the year. No grants were withheld due to unfulfilled conditions for the prior reporting period.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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15. Other financial liabilities

At amortised cost

DBSA - 61006963

2,087,270 2,077,174

The loan is from the Development Bank of Southern Africa (DBSA) and repayments are payable on a 3 monthly basis in equal installments. The redemption date is 31 December 2021 and the loan bears interest at a fixed rate of 5% on the loan and 7% on the arrears.

The municipality defaulted on the repayment terms, the balance of the arrear account is R..... R294 209.52(2013: 141 061). The loan was rescheduled, to the terms and conditions above, on 1 March 2012. No other remedies were actioned

Non-current liabilities

At amortised cost

1,823,689 1,752,745

Current liabilities

At amortised cost

263,581 324,429

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Total
Rehabilitation of landfill sites	3,089,832	3,089,832

Reconciliation of provisions - 2013

	Opening Balance	Change in discount factor	Total
Rehabilitation of landfill sites	2,964,000	125,832	3,089,832

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for the restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2024 and 2071.

The Municipality has four active landfill sites as per the infrastructure asset register:

- Frankfort Landfill;
- Mafahlaneng Landfill (Tweeling);
- Ntshwanatsatsi Landfill (Cornelia); and
- Villiers Landfill.

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permit issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No. 73 of 1989). It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licenced as required by the Waste Act (Act No. 59 of 2008).

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
17. Payables from exchange transactions		
Trade payables	30,785,609	19,291,725
Payments received in advanced - contract in process	-	10,269,695
Accrued leave pay	2,323,811	5,288,611
Accrued expense 1	314,458	2,749,111
13th Cheque accrual*	1,375,230	1,290,967
Other payables	6,867	10,164
Salary control accounts	9,760,682	1,073,138
Retention's on contract creditors	2,504,734	1,039,500
Income received in advance****	6,730,802	6,730,802
Advance payable**	2,000,000	7,224,609
Eskom	36,259,364	37,281,082
Department of Water Affairs (DWA)	59,769,157	49,254,193
Electricity payable***	16,199,572	7,512,550
Auditor-General	2,979,426	1,180,167
	171,009,712	150,196,314

The Municipality defaulted on the payment of suppliers within the legislative 30 days.

*Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birth up until year end.

** The Municipality received an advance from Rural Maintenance (Pty) Ltd on 30 June 2014.

***Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pump stations etc. owing to the service provider Rural Maintenance (Pty)Ltd.

**** The Municipality is receiving an inflow of resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.

18. VAT payable

Tax refunds payables	13,388,504	7,628,085
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The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made.

VAT returns were timeously submitted by due date, although the amounts payable were not paid on or before the due date. Penalties and interest charged on late payment were accounted for and disclosed as fruitless and wasteful expenditure.

19. Consumer deposits

Water	786,920	702,102
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No guarantees are held in lieu of consumer deposits. These are deposits held by the municipality in respect of consumer accounts which have been opened.

20. Financial instruments disclosure

Categories of financial instruments

2014

Financial liabilities

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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20. Financial instruments disclosure (continued)

	At amortised cost	Total
Consumer deposits	786,920	786,920
Current portion of finance lease liabilities	868,586	868,586
Payables from exchange transactions	156,923,846	156,923,846
Current portion of non-current borrowings	263,581	263,581
Non-current borrowings	1,823,689	1,823,689
Finance lease liabilities	366,722	366,722
	161,033,344	161,033,344

2013

Financial liabilities

	At amortised cost	Total
Consumer deposits	702,102	702,102
Current portion of finance lease liabilities	790,164	790,164
Payables from exchange transactions	150,196,325	150,196,325
Current portion of non-current borrowings	324,429	324,429
Non-current borrowings	1,752,745	1,752,745
Finance lease liabilities	1,414,540	1,414,540
	155,180,305	155,180,305

21. Revenue

Service charges	47,117,457	43,222,421
Royalty income	549,867	648,011
Rental of facilities and equipment	543,056	151,086
Administration and management fees received	538,696	772,173
Recoveries	1,070,688	2,594,934
Other income - (rollup)	770,175	2,244,696
Interest received - investment	12,998,767	7,514,847
Fines	73,870	133,744
Property rates	19,474,278	16,322,286
Government grants & subsidies	96,174,682	112,298,133
	179,311,536	185,902,331

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	47,117,457	43,222,421
Royalty income	549,867	648,011
Rental of facilities and equipment	543,056	151,086
Administration and management fees received	538,696	772,173
Recoveries	1,070,688	2,594,934
Other income - (rollup)	770,175	2,244,696
Interest received - investment	12,998,767	7,514,847
	63,588,706	57,148,168

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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21. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Fines	73,870	133,744
Property rates	19,474,278	16,322,286
Transfer revenue		
Government grants & subsidies	96,174,682	112,298,133
	115,722,830	128,754,163

22. Property rates

Rates received

Residential	16,347,134	11,109,262
Commercial	14,028,082	11,531,993
Agricultural	1,340,704	813,720
Less: Income forgone*	(12,241,642)	(7,132,689)
	19,474,278	16,322,286

*Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. The amount forgone has increased from prior year as a result of more registrations which were done of pensioners who are levied rates on their properties, and an ongoing incentive which the municipality initiated as a mechanism to increase its collection for the 2014 financial year.

Valuations

Residential	957,251,297	1,239,274,716
Business and Industrial	230,403,142	198,753,880
Government	122,096,082	18,481,340
Agriculture	2,435,135,189	1,956,542,674
Institutional, educational and churches	34,930,353	51,130,532
	3,779,816,063	3,464,183,142

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2010 and came into effect on 1 July 2011, and is based on market-related values. Due to dire financial constraints the municipality found itself in during the current financial year, it could not perform supplementary valuations on properties thus values are still the same as last year 2013.

The first R50 000 of the valuation of residential property is exempted from rates.

As per the approved budget the basic rates were adjusted as follows;

R0.006915 (2013: R0.006286) Rate per Rand on the value of rateable residential property
 R0.0015491 (2013: R0.134700) Rate per rand on the value of rateable business property
 R0.065780 (2013: R0.057200) Rate per Rand on the value of rateable government property
 R0.000573 (2013: R0.000530) Rate per Rand on the value of agricultural property
 R (2013: R0.044900) Rate per Rand on the value of vacant stands

The municipality has commenced with processes to compile a new general valuation roll which will be implemented on 01 July 2015.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

	2014	2013
23. Service charges		
Sundry Service Charges	1,275,172	1,146,875
Sale of electricity	(102,286)	-
Sale of water	16,769,751	14,824,634
Solid waste	19,596	18,144
Sewerage and sanitation charges	15,312,749	14,328,048
Refuse removal	13,842,475	12,904,720
	47,117,457	43,222,421

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies		
Operating grants		
Equitable share	67,799,171	75,102,000
Local Government Sector Education and Training Authority (LGSETA)	-	125,418
Fezile Dabi District Municipality	1,476,728	528,119
Expanded Public Works Program Integrated Grant (EPWP)	646,557	907,620
Treasury and Cooperative Governance and Traditional Affairs (COGTA)	4,538,858	1,819,871
Electricity Efficiency Grant (EEDG)	-	-
Finance Management Grant (FMG)	1,649,873	1,938,601
Department of Water Affairs (DWA)	-	2,999,972
Integrated National Electrification Program (INEP)	4,226,212	8,902,770
Municipal Systems Improvement Grant (MSIG)	890,000	1,285,191
	81,227,399	93,609,562
Capital grants		
Municipal Infrastructure Grant (MIG)	14,947,283	18,688,571
	14,947,283	18,688,571
	96,174,682	112,298,133

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative service to indigent community member and to subsidise income..

Municipal Infrastructure grant (MIG)

Balance unspent at beginning of year	7,152,429	-
Current-year receipts	24,533,000	25,841,000
Conditions met - transferred to revenue	(14,947,283)	(18,688,571)
	16,738,146	7,152,429

Conditions still to be met - remain liabilities (see note 14).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	485,191
Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(1,285,191)
	-	-

Expanded Public Works Program Integrated (EPWP)

Balance unspent at beginning of year	889,380	773,000
Current-year receipts	1,000,000	1,024,000
Conditions met - transferred to revenue	(646,557)	(907,620)
	1,242,823	889,380

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	5,002,447	6,144,218
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	(4,226,212)	(8,902,771)
Forfeited - repaid	-	(2,239,000)
	776,235	5,002,447

Conditions still to be met - remain liabilities (see note 14).

The conditions which were left to be met on this grant related to (Phase 2) of the Electrification of 500 Households in Namahadi of which 99% was already completed at year end. The project was set to be complete by 30 June 2014 however was not, the delays were as a result of Electricity Capacity Problems with ESKOM in the Mafube area and that a further assessment was due to be performed by the consultants on the current energy use to enable more connections.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	-	2,999,972
Current-year receipts	-	(2,999,972)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	438,602
Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,649,873)	(1,938,602)
	127	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Electricity Efficiency Grant (EEDG)

Current-year receipts	4,999,700	-
Conditions met - transferred to revenue	(2,145,866)	-
	2,853,834	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Other revenue		
Administration and management fees received - third party	538,696	772,173
Salary recoveries	1,070,688	2,594,934
Other income - (rollup)	770,175	2,244,696
	2,379,559	5,611,803
26. Other income		
Connection fees	56,391	68,887
Ground gravel and soil	72,437	13,728
Income from agency services*	53	301,415
Cemetery fees	161,803	126,335
Loyalty awards - VKB Agriculture Limited	-	33,666
Certificates	72,560	60,149
Tender deposits	29,447	36,316
Building plans	56,781	70,722
Sundry income	320,703	1,533,478
	770,175	2,244,696

*Income from agency service consist out of the Rural Maintenance (Pty) Ltd electricity assets additions received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income over the term of the PPP agreement.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. General expenses		
Advertising	75,923	406,606
Assessment rates & municipal charges	-	67,800
Auditors remuneration	3,281,396	3,462,993
Bank charges	263,144	247,661
Cleaning	447,021	137,013
Consulting and professional fees	2,419,748	4,309,787
Consumables	-	167,705
Donations	43,121	37,630
Entertainment	178,305	689,490
Animal Costs	47,150	107
Insurance	637,624	427,804
Community development and training	952,406	3,355,186
Conferences and seminars	39,478	145,543
Bus Diesel	-	(589,270)
IT expenses	1,414,734	881,196
Lease rentals on operating lease	649,532	510,853
Magazines, books and periodicals	2,429	17,320
Motor vehicle expenses	93,744	206,077
Fuel and oil	3,516,144	2,199,182
Postage and courier	492,489	403,961
Printing and stationery	641,210	837,737
Protective clothing	1,445,180	371,746
Security (Guarding of municipal property)	17,326	114,759
Software expenses	-	486,994
Staff welfare	21,081	350,705
Subscriptions and membership fees	602,138	247,222
Telephone and fax	2,132,234	1,960,627
Training	-	7,569
Assets expensed	76	162
Electricity	-	7,578,306
Water	42,847	453,598
Refuse	-	376,845
Other expenses	-	249,861
Integrated development plan (IDP)	646,377	1,061,666
Recruitment Expenses	97,240	-
Pauper burials	22,847	37,136
Legal fees	404,361	422,199
Rental of Vehicles and Equipment	921,052	-
Bursaries	601,010	1,280,710
Chemicals	2,148,362	1,426,957
Audit Committee Sitting Fees	142,980	-
	24,440,709	34,349,443

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. Employee related costs		
Basic	67,173,281	61,225,798
Bonus	3,409,974	3,058,145
Leave	(2,404,737)	776,366
Travel, motor car, accommodation, subsistence and other allowances	1,437,442	1,409,800
	69,615,960	66,470,109
Remuneration of municipal manager (PI Radebe)		
Annual Remuneration	548,345	664,710
Backpay	4,354	25,653
Contribution to SDL	9,265	9,904
Contribution to UIF	1,785	1,718
Medical and Pension Funds	310,157	38,947
Leave Paid out	-	134,306
Travel Allowance	224,729	213,978
	1,098,635	1,089,216
Remuneration of chief finance officer (A Hlubi)		
Annual Remuneration	93,250	-
Car Allowance	18,000	-
Contributions to UIF	297	-
Municipal contributions to SDL	1,077	-
	112,624	-
Remuneration of the Acting Chief Financial Officer		
Annual Remuneration	261,950	84,883
Car Allowance	132,118	41,658
Acting Allowance	346,317	129,083
Backpay	3,566	-
Medical and Pension Funds	50,871	16,984
Municipal contribution to SDL	7,067	2,283
Municipal contribution to UIF	1,785	571
	803,674	275,462
Mr G Gwanya was appointed as the Acting CFO after the resignation of the Chief Financial Officer NN Molefe in March 2013, and acted until 25 April 2014 after which, Ms. P Nthuping was appointed to act until the newly appointed CFO Mr NA Hlubi officially started. Mr NA Hlubi was officially appointed on the 1/04/2014 and commenced duty on the 15/05/2014.		
Public Safety and Service Delivery - MS Malindi		
Acting Allowance	10,998	-
Annual Remuneration	618,316	626,233
Backpay	3,566	19,701
Contribution to SDL	8,553	6,829
Contributions to UIF	1,636	3,090
Contributions to pension fund	139,371	122,925
Leave paid out	148,910	-
Travell Allowance	95,882	99,800
	1,027,232	878,578

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

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28. Employee related costs (continued)

It should be noted that Mr. MS Malindi was shifted from being the corporate services director in 2013 to being the director for the newly established department termed "Service Delivery and Public Safety", the salary he earned as a director for corporate services is therefore, disclosed as a comparative in the new department.

Director Community Services - ZE Mofokeng

Annual remuneration	596,527	583,232
Backpay	3,566	19,701
Contributions to SDL	7,464	6,864
Medical allowance	14,631	-
Contributions to UIF	1,785	1,593
UIF allowance	1,761	-
Contributions to pension fund	-	88,530
Pension contribution	92,834	-
Travel allowance	204,306	144,299
	922,874	844,219

Corporate and human resources (corporate services) NE Radebe

Annual Remuneration	721,224	631,531
Backpay	3,943	19,701
Contributions to SDL	8,245	8,375
Contributions to UIF	1,785	1,718
Leave paid out	-	109,479
Cellphone allowance	16,000	-
Acting allowance	6,515	-
Travell Allowance	96,000	96,000
	853,712	866,804

It should be noted that Mrs. NE Radebe was shifted by council to occupy the position as the corporate director, owing to the fact that the Department of Land Use and Town Planning was merged into the Technical Department.

Technical Services - M Maboya

Annual remuneration	159,387	205,000
Contributions to SDL	2,762	2,481
Contributions to UIF	595	595
Contribution to pension fund	33,121	31,949
Travel allowance	53,129	68,333
Leave paid out	56,814	-
Backpay	29,440	-
	335,248	308,358

This position has become vacant in March 2013 following the termination of the agreement of the Director Mr Maboya.

Mayor - JE Segasa

Annual Remuneration	431,535	385,190
Back pay	-	12,802
Cellphone allowance	23,472	19,769
Contributions to pension	64,730	28,149
Contribution to SDL	5,550	5,147
Contribution to UIF	-	998

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. Employee related costs (continued)		
Travel allowance	165,422	135,414
	690,709	587,469
Speaker - TM Moloi		
Annual Remuneration	330,853	357,500
Back pay	-	19,252
Cellphone allowance	23,472	21,542
Contributions to medical	16,532	14,835
Contribution to pension	49,628	56,530
Contribution to SDL	4,357	5,253
Contribution to UIF	-	998
Travel allowance	132,338	126,305
	557,180	602,215
29. Remuneration of councillors		
Councillors	5,235,182	5,420,628
In-kind benefits		
30. Debt impairment		
Contribution to receivables from exchange transactions impairment provision	-	863,037
Contribution to consumer receivables from exchange transactions impairment provision	34,984,223	36,169,137
Contributions to consumer receivables from non-exchange transactions impairment provision	2,992,203	3,244,289
	37,976,426	40,276,463
31. Investment revenue		
Interest received		
Financial Assets	123,084	9,576
Bank	-	150,028
Interest charged on trade and other receivables	12,875,683	7,355,243
	12,998,767	7,514,847
32. Actuarial loss on employee benefits		
Actuarial loss on employee benefits	-	(99,413)
33. Depreciation and amortisation		
Property, plant and equipment	122,579,680	123,094,041
Investment property	380,350	380,350
Intangible assets	33,202	202,500
	122,993,232	123,676,891

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
34. Finance costs		
Non-current borrowings	-	105,285
Trade and other payables	-	4,314,822
Finance lease liabilities	712,960	237,339
Cash and Cash equivalents	5,853,682	201,349
Employee benefits	-	823,289
Late payment of tax	-	1,015,171
Non-current provisions	-	125,832
Late payment of pension fund	-	455,510
	6,566,642	7,278,597
35. Auditors' remuneration		
Fees	3,281,396	3,462,993
36. Rental of facilities and equipment		
Premises		
Premises	531,566	141,028
Venue hire	11,490	10,058
	543,056	151,086
37. Grants and subsidies paid		
Other subsidies		
Indigent subsidies	6,746,501	7,529,210
38. Bulk purchases		
Electricity	17,199,992	-
Water	10,514,964	9,168,910
	27,714,956	9,168,910

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
39. Cash generated from operations		
Deficit	(133,184,980)	(123,004,723)
Adjustments for:		
Depreciation and amortisation	122,993,232	123,676,891
Loss on sale of assets and liabilities	-	(608,632)
Actuarial loss on employee benefits	-	99,413
Finance costs - Finance leases	712,960	237,339
Debt impairment	37,976,426	40,276,463
Movements in operating lease assets and accruals	-	(33,666)
Service charges on employee benefits	-	517,922
Movements in provisions	-	(301,415)
Interest income	-	(524,910)
Changes in working capital:		
Inventories	168,561	17,596
Receivables from exchange transactions	(1,588,155)	(266,393)
Consumer receivable from exchange transactions	(38,646,125)	(16,963,636)
Other receivables from non-exchange transactions	1,639,562	(12,124,930)
Payables from exchange transactions	20,813,398	26,924,230
VAT	5,760,419	(3,588,381)
Unspent conditional grants and receipts	8,566,909	5,203,245
Consumer deposits	84,818	17,133
Employee benefits	-	(913,755)
Non-current provisions	-	-
	25,297,025	38,639,791
40. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	58,207,711	32,821,971

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Contingencies

Unlicensed landfill sites:

The municipality has four active landfill sites. It has been identified that the landfill sites situated in Frankfort, Tweeling, Cornelia and Villiers are not licensed as required by the National Environmental Management: Waste Act, (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

Sewerage leaking into the river

The municipality was taken to court again during the year, and :

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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42. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Close family member of key management	none
Joint venture of key management	none
Associate of close family member of key management	none
Post employment benefit plan for employees of entity and/or other related parties	none
Members of key management	None

Related party balances

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arms length.

Compensation to accounting officer and other key management

Short-term employee benefits	5,749,272	4,825,458
Defined contribution plans	1,437,442	1,409,800
	7,186,714	6,235,258

43. Comparative figures

No comparative figures have been presented as these are the first financial statements of the municipality.

The reporting period is longer/shorter than a year, therefore comparative amounts are not comparable to the current balances.

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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44. Risk management (continued)

Credit risk

There were no material changes in respect of objectives, policies and processes for managing risks and in methods to measure risk

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumer on an ongoing basis. If consumers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of non-payment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but, in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Receivables from exchange transactions	3,659,010	2,050,519
Consumer receivables from non-exchange transactions (Net amount)	1,683,504	3,586,867
Consumer receivable from exchange transactions (Net amount)	35,926,954	35,257,255
Cash and cash equivalents (Favourable balances)	64,367	2,699,087
Financial Assets	355,120	417,667

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing.

The entity's interest rate risk arises from non-current borrowings and finance lease liabilities. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings are not based on prime and therefore fluctuations in prime will not affect the borrowings.

Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:

Price risk

The municipality is not exposed to price risk.

45. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
46. Unauthorised expenditure		
Unauthorised expenditure	37,837,331	21,774,063
47. Fruitless and wasteful expenditure		
Opening balance	5,669,788	17,845,988
Fruitless and wasteful expenditure current year (see below)	8,483,961	5,551,544
Items certified as irrecoverable by Council	-	(17,727,744)
	14,153,749	5,669,788
48. Irregular expenditure		
Opening balance	30,002,153	71,142,949
Add: Irregular Expenditure - current year	5,400,031	-
Less: Amounts condoned	-	(71,142,949)
Less: Amounts recoverable (not condoned)	-	(56,316)
	35,402,184	(56,316)
49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	499,971	440,296
Current year subscription / fee	630,542	499,971
Amount paid - current year	(519,245)	(440,296)
	611,268	499,971
SALGA subscriptions for the current and prior reporting period.		
Audit fees - Auditor General		
Opening balance	1,180,167	1,596,352
Current year subscription / fee	3,158,508	3,206,873
Amount paid - current year	(150,000)	103,851
Amount paid - previous years	(1,038,858)	(3,726,909)
	3,149,817	1,180,167
PAYE, UIF and SDL		
Opening balance	7,188,103	406,738
Current year subscription / fee	6,957,479	6,208,627
Amount paid - current year	(7,513,725)	(75,329)
Interest and penalties	686,998	648,067
	7,318,855	7,188,103

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Opening balance	1,727,039	(4,304,599)
Deductions made	16,391,623	14,817,298
Amount paid - current year	(8,207,233)	(9,241,170)
Interest paid	541,804	455,510
	10,453,233	1,727,039

Mafube Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2014:

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M	716	1,683	2,399
Jafta UC	532	15	547
Monaune P M	379	3,547	3,926
Mosia A S	660	-	660
Motloung P	519	4,063	4,582
Motloung W C	1,001	15,978	16,979
Pretorious J J	4,918	23,330	28,248
	8,725	48,616	57,341

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M	732	5,182	5,914
Jafta UC	349	-	349
Mofokeng MM	370	-	370
Mosia AS	1,264	314	1,578
Motloung FP	1,386	132	1,518
Motloung P	503	2,674	3,177
Motloung WC	1,135	10,396	11,531
	5,739	18,698	24,437

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

June 30, 2014	Highest outstanding amount	Aging (in days)
Hadebe M	1,683	-
Monaune P M	3,547	-
Motloung P	4,063	-
Motloung W C	15,978	-
Pretorious J J	23,330	-
	48,601	-

June 30, 2013	Highest outstanding amount	Aging (in days)
Mosia MA	5,040	-
Xaba NE	1,216	-
	6,256	-

Mafube Local Municipality
Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at Sunday, June 30, 2013	Received during the period	Redeemed written off during the period	Balance at Monday, June 30, 2014	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa							
		2,077,174	110,096	100,000	2,087,270	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Schedule of external loans as at 30 June 2010

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Schedule of external loans as at 30 June 2010

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CHAPTER 7:

AUDITOR GENERAL'S REPORT



AUDITOR - GENERAL
SOUTH AFRICA

The Municipal Manager
Mafube Local Municipality
P.O. Box 2
Frankfort
9830

1 December 2014

Reference: 21396REG13/14

Dear Municipal Manager

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of the Mafube Local Municipality for the year ended 30 June 2014

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
3. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

5. Five (5) copies of the municipality's annual report should be submitted to my office once available.
6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



S. Steenbok
Senior Manager: Free State

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REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MAFUBE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mafube Local Municipality set out on pages XX to XX, which comprise the statement of financial position as at 30 June 2014, the statements of financial performance, changes in net assets, cash flows, statement of comparison of budget and actual amounts and the appropriation statement for the year then ended, as well as the notes comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to lack of an adequate asset management system and a system to maintain the cost records of the assets. The municipality did not review the residual values and useful lives of infrastructure assets at each reporting date in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment* (GRAP 17). I was unable to confirm the assets by alternative means. Consequently, I was unable to determine whether any adjustments to property, plant and equipment stated at R1 584 659 877 (2013: R1 681 116 741) in note 4 to the financial statements were necessary. The municipality also did not capitalise all items of property, plant and equipment in accordance with GRAP 17. Items of property, plant and equipment were incorrectly recognised as work in progress, projects were included at negative values and non-capital expenditure was included as work in progress. Work in progress with a carrying amount of R96 316 843 (2013: R72 993 379) was included in note 4 to the financial statements. I was not able to determine the correct carrying amount of work in progress as it was impracticable to do so.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for salary control accounts, accrued leave pay, retention creditors, income received in advance and advance payables included in payables from exchange transactions due to the unavailability of reconciliations or support for these balances. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to these balances stated at R23 320 029 (2013: R14 132 049) included in the amount of R171 009 712 (2013: R150 196 314) as disclosed in note 17 to the financial statements were necessary. Furthermore differences were identified between the amounts disclosed in the financial statements and external confirmations as well as differences on the credit balances included in the debtors' age analysis. Consequently, payables and expenditure were understated by R5 959 048. There was also a resultant impact on the deficit for the period and the accumulated surplus.

Investment property

6. The municipality did not recognise the correction of investment property of R45 628 985 in 2012/13 as a prior period error in accordance with SA Standards of GRAP, GRAP 3, *Accounting estimates, change in accounting estimates and errors*. The correction of the error was incorrectly disclosed as a reclassification of infrastructure assets. In addition, the municipality did not value investment properties with a carrying amount of R44 487 936 (2013: R44 868 286) in note 3 to the financial statements in accordance with SA Standards of GRAP, GRAP 16, *Investment property* as a number of investment properties had been recognised at zero value; the assumptions used in the investment property register have not been accurately applied in the determination of the deemed cost; and adequate records of the assumptions used in the determination of deemed cost were not kept. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

Consumer receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for consumer debtors as service contracts, supporting documents for indigent debtors and applications could not be submitted to confirm the gross debtors. I was also unable to obtain sufficient appropriate audit evidence with regard to the provision for impairment of debtors because supporting documentation for the debt impairment calculation for the current year could not be provided and the provision per service category and consumer type had been apportioned pro rata in relation to the total gross provision for debt impairment for the prior year. I was unable to confirm consumer debtors by alternative means. Consequently, I was unable to determine whether any further adjustments to consumer debtors stated at R35 926 954 (2013: R35 257 255) in note 11 to the financial statements was necessary.

Unspent conditional grants and receipts

8. The municipality did not accurately roll forward the balance of unspent conditional Municipal Infrastructure Grants (MIG) from the prior year financial statements in accordance with SA Standards of GRAP, GRAP 23, *Revenue from non-exchange transactions*. Where the municipality had spent its own funds before MIG allocations were received the amount receivable was not recognised in the prior year. Consequently, unspent conditional grants as disclosed in note 14 to the financial statements are understated and grant expenditure (capital or operating) is overstated by R4 352 283, respectively for the 2012/13 and 2013/14 financial years. The municipality also did not have adequate processes in place to ensure that VAT relating to unspent grants had been correctly accounted for in the prior year.

9. I was unable to obtain sufficient appropriate audit evidence for the difference in the opening balance of R2 239 000 of the Integrated National Electrification Grant due to inadequate record keeping by the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to Integrated National Electrification Grant stated at R776 235 (2013: R5 002 447) as disclosed in note 14 to the financial statements was necessary.

Value added tax

10. I was unable to obtain sufficient appropriate audit evidence for value-added tax (VAT) payable due to inadequate record keeping by the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to VAT payable stated at R13 388 504 (2013: R7 628 085) as disclosed in note 18 to the financial statements was necessary. In addition the municipality did not claim input VAT on all expenses as per the Value-added Tax Act of South Africa, 1991 (Act No. 89 of 1991). Consequently, VAT payable and general expenditure are overstated by R2 934 420. Additionally, there was a resultant impact on the deficit and the accumulated surplus for the period.

Employee benefits

11. The municipality did not recognise the post-retirement benefit in accordance with SA Standards of GRAP, GRAP 25, *Employee benefits* due to incorrect information being included in the calculation of the retirement benefit obligation of R11 474 814 (2013: R11 474 814) as disclosed in note 7 to the financial statements. I was not able to determine the correct amount of the post-retirement benefit obligation for the current and prior financial years as it was impracticable to do so.

Receivables from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions as supporting documentation for councilor overpayment, impairment and other receivables included in note 9 to the financial statements could not be provided. I was unable to confirm these balances by alternative means. Consequently, I was unable to determine whether any adjustment to receivables from exchange transactions stated at R3 659 010 (2013: R2 070 855) in note 9 to the financial statements was necessary.

Receivables from non-exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions as supporting documentation could not be provided for the gross balance. Support could also not be provided for the process followed for the calculation of debt impairment. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to receivables from non-exchange transactions stated at R1 947 305 (2013: R3 586 867) in note 10 to the financial statements was necessary.

Depreciation and amortisation

14. I was unable to obtain sufficient appropriate audit evidence for depreciation and amortisation due to the scope limitation placed on my audit of property, plant and equipment. I was unable to confirm the depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustments to depreciation and amortisation stated at R122 993 232 (2013: R123 676 891) as disclosed in note 33 to the financial statements were necessary.

Government grants and subsidies

15. I was unable to obtain sufficient appropriate audit evidence for conditions met for government grants and subsidies transferred to the statement of financial performance due to the absence of supporting records. I was unable to confirm government grants and subsidies by alternative means. Consequently, I was unable to determine whether any further adjustments to government grants and subsidies stated at R96 174 682 as disclosed in note 24 to the financial statements were necessary. Furthermore, an amount of R2 145 866 that needed to be transferred to revenue for conditions met was not transferred to revenue. Revenue and grants are therefore understated by this amount.

Employee related cost

16. I was unable to obtain sufficient appropriate audit evidence for employee related cost as no reconciliations were performed between the payroll system and general ledgers, resulting in material unexplained differences. I could not confirm employee cost by alternative means. Consequently I was unable to determine whether any adjustments to employee related cost stated at R69 615 960 as disclosed in note 28 in the financial statements were necessary. Furthermore, travel and subsistence expenditure was incorrectly included in employee related cost, resulting in the overstatement of employee related cost and understatement of general expenses by R1 437 442 (2013: R1 409 800) respectively.

Service charges

17. I was unable to obtain sufficient appropriate audit evidence regarding service charges as the municipality did not have adequate systems in place to maintain records of basic charges and service charges and record accurate meter readings. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments to service charges stated at R47 117 457 (2013: R43 222 421) as disclosed in note 23 to the financial statements were necessary. Furthermore, the municipality did not measure revenue at the fair value of the consideration received or receivable as required by SA Standards of GRAP, GRAP 9 *Revenue from exchange transactions* and I was not able to determine the full extent of the misstatement as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and the accumulated surplus.

General expenses

18. I was unable to obtain sufficient appropriate audit evidence to support the amounts allocated for general expenses. I could not confirm these expenses by alternative means. Consequently, I was unable to determine whether any adjustments to general expenses stated at R24 440 709 as disclosed in the statement of financial performance in the financial statements were necessary.

Property rates

19. I was unable to obtain sufficient appropriate audit evidence for property rates due to an unsubstantiated difference between the chargeable rates per the valuation roll, the accounting records and the financial statements. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R19 474 278 (2013: R16 322 286) in note 22 to the financial statements were necessary.

Repairs and maintenance

20. I was unable to obtain sufficient appropriate audit evidence to support the amounts allocated for repairs and maintenance. I could not confirm these expenses by alternative means. Consequently, I was unable to determine whether any adjustments to repairs and maintenance stated at R11 206 908 as disclosed in the statement of financial performance in the financial statements were necessary.

Remuneration of councillors

21. I was unable to obtain sufficient appropriate audit evidence for remuneration of councillors as there were material unexplained differences between the salary system and the amounts recorded in the general ledger. I could not confirm councillors' remuneration by alternative means. Consequently I was unable to determine whether any adjustments to remuneration of councillors stated at R5 235 182 as disclosed in note 29 in the financial statements were necessary.

Finance costs

22. I was unable to obtain sufficient appropriate audit evidence for finance costs due to the absence of supporting records. I was unable to confirm finance costs by alternative means. Consequently, I was unable to determine whether any further adjustment to finance costs stated at R6 566 642 (2013: R7 278 597) in note 34 in the financial statements was necessary.

Pension and medical aid deductions

23. I was unable to obtain sufficient appropriate audit evidence for the opening and closing balance of pension fund and medical aid deductions as disclosed in note 49 to the financial statements as it does not agree with their financial transactions recorded in the general ledger. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any further adjustments to pension fund and medical aid deductions stated at R10 453 233 (2013: R1 727 039) as disclosed in note 49 in the financial statements were necessary.

Other income

24. I was unable to obtain sufficient appropriate audit evidence for other income due to a lack of proper processes to ensure that registers for all other income are maintained. I was unable to confirm the other income by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other income stated at R770 175 (2013: R2 244 696) as disclosed in note 26 to the financial statements. In addition, other income for the prior year transactions was not disclosed in accordance with SA Standards of GRAP, GRAP1, *Presentation of financial statements* (GRAP 1) due to incorrect classification and disclosures. I was not able to determine the correct carrying amount of work in progress as it was impracticable to do so.

Unauthorised expenditure

25. The municipality did not include all unauthorised expenditure and did not adhere to the disclosure requirements in note 46 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality incurred expenditure in excess of the approved budget which was not disclosed as unauthorised expenditure, resulting in unauthorised expenditure being understated by R168 726 113 (2013: R186 610 002).

Irregular expenditure

26. The municipality did not include particulars of all the irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. I was not able to determine the full extent of the misstatement as it was impracticable to do so. The municipality made payments in contravention of the *Supply chain management regulations* which were not included in irregular expenditure, resulting in irregular expenditure being understated by R13 260 890 (2013: R90 052 312). An amount of R71 142 949 for the prior year was deducted from the balance of irregular expenditure in note 48 without proper investigations having been performed. This resulted in a further understatement of irregular expenditure by R71 142 949 (2013: R71 142 949).

Commitments

27. I was unable to obtain sufficient appropriate audit evidence for capital commitments due to an inadequate contract management system and incomplete contract register as well as the restatement of the corresponding figure. Several unexplained differences/misstatements were identified in the current and prior years which could not be agreed to the financial records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments to commitments stated at R58 207 711 (2013: R32 821 971) as disclosed in note 40 in the financial statements were necessary.

Fruitless and wasteful expenditure

28. The municipality did not include particulars of all fruitless and wasteful expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. I was not able to determine the full extent of the misstatement as it was impracticable to do so. An amount of R17 727 744 for the prior year was deducted from the balance of fruitless and wasteful expenditure in note 47 without proper investigations having been performed. This resulted in an understatement of fruitless and wasteful expenditure by R17 727 744 (2013: R17 727 744).

Contingencies

29. The municipality did not disclose all contingencies in accordance with SA Standards of GRAP 19, *Provisions, contingent liabilities and contingent assets*. According to external confirmation obtained, legal proceedings amounting to R12 512 700 were instituted against the municipality and should have been disclosed as contingencies. The disclosure for contingencies in note 41 to the financial statements was therefore understated by R12 512 700.

Cash flow statement

30. I was unable to obtain sufficient appropriate audit evidence as to whether the cash flow statement and related notes for the current and prior years were fairly stated due to the material effect of misstatements and scope limitations identified in the financial statements, as set out in this report. I was unable to confirm the cash flow by alternative means. Consequently, I was unable to determine whether adjustments were necessary to the amounts disclosed in the cash flow statement.

Comparison of budget and actual amounts

31. I was unable to obtain sufficient appropriate audit evidence for the differences between the statement of financial performance and the actual results contained in the statement of comparison of budget and actual amounts. I was also unable to obtain sufficient appropriate evidence about the budgeted figures as disclosed. This was due to material differences between the amounts disclosed and the actual budget prepared by the municipality. I was unable to confirm these differences by alternative means. I was therefore unable to determine whether adjustments to the statement of comparison of budget and actual amounts were necessary.

Public private partnership

32. The municipality did not disclose the detail of the public private partnership between the municipality and electricity service provider as required by IFRIC 12, *Service concession arrangements*.

Related parties

33. The municipality incorrectly included employee benefits in related parties as disclosed in note 42 to the financial statements. The disclosure for related parties in note 42 to the financial statements was therefore overstated by R7 186 712 (2013: R6 235 258).

Distribution losses

34. The municipality did not include particulars of material losses in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

Comparatives figures

35. The municipality did not disclose the reclassification of comparative figures as required by GRAP 1. In note 43 it was disclosed that certain comparative figures had been reclassified, while the disclosures for note 4 on property plant and equipment, note 28 on employee-related cost, note 48 on irregular expenditure and note 49 on PAYE, UIF and SDL were not presented accordingly.

Financial Instruments

36. The amount disclosed as financial instruments in note 20 for payables from exchange transactions is stated as R156 923 846, while in note 17 payables from exchange transactions amounted to R171 009 712. Payables from exchange transactions are therefore misstated by R14 085 866 in note 20 to the financial statements.

Aggregation/ Accumulation of immaterial uncorrected misstatements

37. I was unable to obtain sufficient appropriate audit evidence regarding the following items making up the statement of financial position and the statement of financial performance, which had a cumulative effect on the financial statements:

- Recoveries as disclosed in the statement of financial performance at R1 070 688.
- Finance lease obligations in the statement financial position and note 13 at R1 235 308.

I was unable to confirm these items by alternative means. As a result, I was unable to determine whether any further adjustments to these itemss were necessary.

Going Concern

38. The municipality has prepared financial statements on a going concern basis, but there are a number of indicators that its financial sustainability is under threat. These include the material increase in trade payables and consumer receivables/indigent debtors, with only 40% of the amount levied being recovered and cash equivalents of R64 367, which include unspent conditional grants of R21 611 165 at year-end. The municipality also incurred net deficits of R133 184 980 (2013: R123 004 723) and unauthorised expenditure of R37 837 331 during the current financial period. The municipality's ability to continue to render the required services is dependent on a number of factors, the most significant being that the accounting officer can continue to procure funding for the ongoing operations of the municipality.

Disclaimer of opinion

39. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

40. I draw attention to the matter below. My opinion is not modified in respect of the matter.

Material impairments

41. As disclosed in note 10 to the financial statements, a provision for impairment of debtors amounting to R15 091 223 (2013: R12 246 285) has been made with regard to irrecoverable receivables from non-exchange transactions. In addition, as disclosed in note 11 to the financial statements, a provision for impairment of debtors amounting to R152 561 826 (2013: R118 325 381) has been made with regard to irrecoverable consumer debtors.

Additional matters

42. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

43. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Unaudited supplementary schedules

44. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

45. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express and opinion or conclusion on these matters.

Predetermined objectives

46. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014:
- KPA4: Community services (on pages x to x)
 - KPA5: Infrastructural services (on pages x to x).
47. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
48. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).
49. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
50. The material findings in respect of the selected development priorities are as follows:

KPA 4 – Community services

Usefulness of reported performance information

51. Section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 75% of the reported objectives, 69% of the reported indicators and 73% of the reported targets were not consistent with those in the approved integrated development plan. This was due to a lack of oversight responsibility regarding financial and performance reporting and compliance and related internal controls.
52. The FMPPPI requires the following:
- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 100% of the targets were not specific.
 - Performance targets must be measurable. I could not measure the required performance for 100% of the targets.
 - Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% of the indicators were not well defined.
 - Performance indicators must be verifiable, meaning it must be possible to validate the processes and systems that produced the indicator. A total of 100% of the indicators were not verifiable.

The reasons for this were failure by management to adhere to the requirements of the FMPPPI and a lack of proper systems and processes and technical indicator descriptions.

53. The FMPPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. The relevance of the indicators could not be assessed due to a lack of corroborative supporting evidence to verify management's explanation for why the indicators were considered important and relevant to the realisation of strategic goals and objectives.

Reliability of reported performance information

54. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

KPA 5 – Infrastructural services

Usefulness of reported performance information

55. Section 41(c) of the MSA requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 20% of the reported indicators and 20% of the reported targets were not consistent with those in the approved integrated development plan. This was due to a lack of oversight of financial and performance reporting and compliance and related internal controls.

56. The FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 88% of the targets were not specific.
- Performance targets must be measurable. I could not measure the required performance for 96% of the targets.
- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% of the indicators were not well defined.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 100% of the indicators were not verifiable.

This was because management did not adhere to the requirements of the FMPPI and a lack of proper systems and processes and technical indicator descriptions.

Reliability of reported performance information

57. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

Additional matter

58. I draw attention to the following matter:

Achievement of planned targets

59. Refer to the annual performance report on page(s) x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priorities reported in paragraph(s) 51 to 57 of this report.

Compliance with laws and regulations

60. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements and annual report

61. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
62. The 2012-13 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
63. Oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2012-13 annual report was tabled, as required by section 129(1) of the MFMA.

Audit committees

64. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by municipal planning and performance management regulation (MPPM) 14(2)(a).
65. The audit committee did not advise the council on matters relating to internal financial control, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
66. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.

Internal audit

67. The internal audit unit did not function as required by section 165(2) of the MFMA in that it did not advise the accounting officer and/or report to the audit committee on matters relating to the internal controls, accounting procedures and practices and loss control.

Human resource management

68. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff, in contravention of section 67(d) of the MSA.
69. An acting chief financial officer was appointed for a period of more than six months, in contravention of section 54A(2A)(a-b) of the MSA.
70. The competencies of financial and supply chain management officials were not assessed in a timely manner in order to identify and address gaps in competency levels as required by regulation 13 of the *Municipal regulations on minimum competency levels*.
71. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury, as required by regulation 14(2)(a) of the *Municipal regulations on minimum competency levels*.
72. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by regulation 14(2)(b) and 14(3) of the *Municipal regulations on minimum competency levels*.

Expenditure management

73. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
74. An adequate management, accounting and information system which accounted for creditors was not in place, as required by section 65(2)(b) of the MFMA.
75. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

76. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.

Consequence management

77. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
78. Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

Procurement and contract management

79. Goods and services with a transaction value of below R200 000 were in certain instances procured without obtaining the required price quotations and in other instances sufficient appropriate audit evidence could not be obtained that the required price quotations were obtained, as required by supply chain management (SCM) regulation 17(a) and (c).
80. Quotations were accepted from prospective providers who were not registered on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
81. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by inviting competitive bids, as required by SCM regulation 19(a).
82. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).
83. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality, as required by SCM regulation 27(3).
84. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM regulation 28(2).
85. Awards were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
86. Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act no. 5 of 2000).
87. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to and quotations only accepted from bidders who had submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
88. Awards were made to providers who are in the service of the municipality and whose directors are in the service of the municipality, in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, the provider failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c). Similar non-compliance was reported in the prior year and the municipality did not take disciplinary action against the suppliers/officials involved.
89. Awards were made to providers who are in the service of other state institutions or whose directors are in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
90. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).
91. SCM officials/ other SCM role players who or whose close family members/ partners had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM regulation 46(2)(f).

92. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to and quotations were only accepted from providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
93. Sufficient appropriate audit evidence could not be obtained that contracts were only extended or modified after tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
94. Sufficient appropriate audit evidence could not be obtained that all extension or modification to contracts were approved by a properly delegated official, as required by SCM Regulation 5.
95. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Budget

96. Expenditure was not incurred in accordance with the approved budget and was in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of sections 15 of the MFMA.

Conditional grants

97. MIG funds were retained or rolled over to the next financial year without the approval of the National Treasury, as required by section 21(1) of DoRA.

Asset management

98. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a).
99. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
100. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Strategic and annual planning process

101. The local community was not afforded the opportunity to comment on the final draft of the integrated development plan (IDP) before adoption, as required by section 42 of the MSA and MPPM regulations 9, 13(1), 13(4)(c) and 15(3).
102. The municipality did not give effect to its IDP and conduct its affairs in a manner which was consistent with its IDP, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and MPPM regulation 6.
103. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
104. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
105. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and MPPM regulations 1 and 9(1)(a).
106. Measurable performance targets for the financial year with regard to each of the development priorities or objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and MPPM regulations 12(1) and 12(2)(e).
107. The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.

108. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(b) and (c) of the MSA.
109. The annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan, as required by of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.
110. The performance management system and related controls were not in place as it did not describe and represent the processes of performance planning/ monitoring/ measurement/ review/ reporting/ improvement and how it is conducted, organised and managed, including determining the roles of the different role players, as required by sections 38 of the MSA and MPPM regulation 7.

Environmental waste management

111. The municipality operated their waste disposal sites without a waste management licence or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act of South Africa, 2008 (Act No. 59 of 2008).

Internal control

112. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion and the findings on the performance report and compliance with laws and regulations included in this report.

Leadership

113. Management did not adequately respond to the AGSA's message as they did not effectively discharge their oversight responsibilities to ensure an improvement in the audit outcome.
114. The leadership did not always take timely and adequate action to address weaknesses in the finance and supply chain management directorate due to lack of monitoring and supervision, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure.
115. Leadership did not continuously implement preventive measures to address weaknesses in the control environment to promote ethical values and good governance that protects and enhance the interests of the municipality since there were no processes in place to enable effectiveness of internal controls that ensures reliability and validity of financial information. Deviations from the expected standards of conduct were not followed up to ensure that remedial or disciplinary action was taken in a timely and consistent manner. Overriding of internal controls occurred which resulted in a high number of irregular and fruitless expenditure where value for money was not always obtained which resulted in potential cases of fraud that needs to be investigated by management.
116. Consequence management was not effective as the council did not investigate instances of unauthorised, irregular, fruitless and wasteful expenditure to determine whether any person was liable for the expenditure as the council neglected to appoint a committee to investigate the expenditure.

Financial and performance management

117. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting, as management did not monitor to determine whether the controls were implemented effectively.

118. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented due to a lack of capacity.
119. Inadequate filing procedures at the municipality resulted in limitations of scope during the current and previous year's audits due to lack of monitoring. As a result, significant difficulties were experienced in respect of the availability of information.
120. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing due to a lack of skilled staff.
121. Management also did not establish effective monitoring and evaluation components or processes within its finance and strategic planning directorates to regularly review and monitor management's compliance with laws and regulations and internally designed policies and procedures due to capacity problems. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

122. Ongoing monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting due to the fact that the chief financial officer position was vacant for most of the financial year. Thus internal control deficiencies were not identified, communicated and corrected in a timely manner.
123. The implementation of external audit recommendations was not prioritised and also not monitored. This resulted in the prior year audit findings not being addressed.
124. As a result of the ineffective functioning of the internal audit unit, as well as inadequate support by management, the audit committee could not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Auditor-General

Bloemfontein

30 November 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Interim Report

2014 INTERIM ACCOUNTS TO THE AUDIT MANAGER REPORT
- FOR MONITORING BY INTERNAL AUDIT UNIT -

- 1 The quarterly report on the implementation of the action plan should indicate the nature, timing and extent of the implemented suggested corrective action.
- 2 The Director's Leadership must make all staff aware of the proposed corrective action per finding, since the finding should not be ignored by the Senior Management responsibility alone.
- 3 The Internal Audit Activity, and the external Auditor, obtain much assurance regarding the progress of the corrective actions when progress was monitored and reviewed. It is also imperative that any quality action plan(s) possibly to open reference of such Senior's monitoring and review, primarily by Internal Audit.
- 4 The quarterly report should be submitted for review to the Internal Audit Activity within 14 days after the end of each quarter reported on.

COMPLIANCE WITH LAWS AND REGULATIONS

No.	EXCEPTION NUMBER	FINDING FOR AUDIT	ROOT CAUSE ANALYSIS	Boundary Targeted		SUGGESTED CORRECTIVE ACTION	RESPONSIBILITY	TARGET DATE OF FREQUENCY OF IMPLEMENTATION OF THE CORRECTIVE ACTION	INTERIM AUDIT UNIT DOCUMENTS ON THE ADEQUACY OF QUARTERLY PROGRESS ON				
				Current Year (15/14)	Previous Year (12/13)				Rep-14	Dec-14	Mar-15	Jun-15	Rep-15
1	EX.23, 26, 28, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	Valuation determination with the recommendation of the asset register in terms of GRAP 17 and Direction 7 could not be confirmed due to lack of adequate supporting evidence regarding cost codes, calculation errors during prior year's performance of valuation calculations, additions since measurement date and recognition at actual cost, movable asset determination of deemed cost not in terms of Direction 7 and lacking documentation in records.	Completed projects were not capitalised as property, plant and equipment, but were incorrectly recorded as work in progress, omitted work in progress, projects were identified, projects with negative values as well as non-capitalised projects.	R 3 651 315 741.00	R 1 770 341 308.00	Appointment of M&A by the CFO/TA and ES Provincial Treasury Officer.	Accounting Officer and Chief Financial Officer.	31-Mar-15					
2	EX.23	The municipality did not recognise the exception of investment property as a prior period error. The correction of the error was incorrectly disclosed as a reclassification of infrastructure assets. In addition, the municipality did not value investment properties in accordance with GRAP 16, Investment Property as a number of investment properties have been recognised at zero value.	Prior year error was corrected.	R	R 47 150 384.00	Retrospective restatement of error.	Accounting Officer and Chief Financial Officer.	31-Mar-15					
3	EX.23 and 31/61	Sufficient supportive evidence could not be obtained for sample obtained. The municipality did not review the audit logs of intangible assets at each reporting date in accordance with GRAP 102, Intangible Assets.	A non-confusable Central Financial Unit which led to lack of motivation to perform and the absence of Consequence Management in respect of non-standard performance.	R 69 000.00	R 1 747 387.00	Application of GRAP 102, 124 The municipality shall assess the probability of expected future economic benefits or losses potential using reasonable and supportable assumptions and represent management's best estimate of the net economic benefit that will exist over the useful life of the asset.	Accounting Officer and Chief Financial Officer.	31-Mar-15					
4		Adequate audit evidence (documentation for services, budget application, agreement and correspondence) was not available to confirm the existence of customer receivables from exchange transactions, in the absence of Payments received on these accounts, a material amount of R33 917 395 is not adequately disclosed, merely as liability in the financial statement.	Lack of adequate and effective Record Management.	R 348 488 702.00	R 153 542 436.00	The Municipality aims to embark on a Data cleaning activity to identify the weak and review them.	Accounting Officer and Chief Financial Officer.	31-Mar-15					

[illegible]

10	(EX.194)	Admiralty appropriate audit evidence based on the uncorrected prior year findings pertaining to banking deductions was accounted for and consistent over the useful life of assets.	Due to the technology and complexity in treatment of the immovable assets, the immovability has been unable to effectively account for the valuation and completeness of the immovable assets.	R 222 993 212.00	R 123 636 801.00	Appointment of IMESA by the CoGTA and F.S. Provincial Treasury	Accounting Officer and Chief Financial Officer	21-Mar-15						
11	(EX.208)	Differences were identified between amounts requested as expense to set the annual financial statement and as per the summary compiled from the debtors' statements/ledger (containing).	Reconciliations performed between the General Accounts and Sub Ledger Accounts on monthly basis.	R 34 835 601.00	R 422 421.00	Performance of the monthly reconciliation on significant processes.	Accounting Officer and Chief Financial Officer	21-Mar-15						
12	(EX.208, 209)	Appropriate audit evidence for property rates due to an unbalanced difference between the chargeable rates per the valuation roll and the accounting records could not be obtained.		R 19 413 278.00	R 43 248 635.00									
13	(EX.211)	General expenditure was incorrectly classified as repairs and maintenance, adequate supporting evidence (invoices) were not attached to the payment vouchers submitted for audit purposes.	Lead of proper record keeping in the accounts.	R 2 648 978.29	R 15 346 602.00	The expense will be followed up and comparative figures will be provided according to the applicable grant standard.	Accounting Officer and Chief Financial Officer	31-Mar-15						
14	(EX.190)	Bank Purchase Input VAT not recorded to the VAT account.	Reconciliations performed between the Q1 and the VAT 201 Debitum.	R 2 961 838.25	R	Performance of the monthly reconciliation on significant processes.	Accounting Officer and Chief Financial Officer	31-Mar-15						
15	(EX.172, 40)	No reconciliations were performed between the pay-roll system and General ledger resulting in material unexplained difference. Furthermore, travel and subsistence expenditure was incorrectly included in maintenance cost.	Reconciliation performed between the General Accounts and Sub-Ledger Accounts on monthly basis.	R 2 773 853.26	R	Performance of the monthly reconciliation on significant processes.	Accounting Officer and Chief Financial Officer	31-Mar-15						
16	(EX.172, 40)	Vehicles and cell phones leased and no contract could be submitted.	Lead of adequate and reflective record Management	R 6 566 642.00	R 2 278 597.00	Documentation should be obtained prepared properly and submitted to the Auditor General for Audit.	Corporate Services Director and the Accounting Officer	28-May-15						
17	(EX.162, 158, 164, 165, 319, 359)	Traveler expenditure was identified that was not included in the disclosure notes to the financial statements due to non-compliance with the SCM regulations and policy.	There was no continuous monitoring and timely updates of the Register.	R 22 153 791.00	R 90 603 312.00	Appointment of the Council Committee to investigate every irregular, nullified and without respect. This committee will act as both the promoter and detective control to reduce to a minimum the irregular, nullified and wasteful expenditure, and the ensure compliance with the required processes to administer and report on these expenditure.	Accounting Officer and Chief Financial Officer	29-May-15						
18	(EX.161)	Sufficient appropriate evidence could not be obtained for irregular expenditure.		R 5 400 001.00	R									
19	(EX.54, 157)	Unexplained difference was identified between the amount disclosed in the financial statements and the expenditure registered as provided for bullocks and wasteful expenditure.		R 5 689 766.00	R 17 727 784.00									
20	(EX.225, 234)	For the prior year was conducted from the balance of fundists and wasteful expenditure in note 47 without proper disclosure. The municipality did not disclose all unauthorised expenditure and did not adhere to the disclosure requirements in note 46 in the financial statements as provided by Section 152(3)(d) of the MSA.	There was no continuous monitoring and timely updates of the Register.	R 566 731 113.00	R 159 534 628.00	Appointment of the Council Committee to investigate every irregular, nullified and without respect. This committee will act as both the promoter and detective control to reduce to a minimum the irregular, nullified and wasteful expenditure, and the ensure compliance with the required processes to administer and report on these expenditure.	Accounting Officer and Chief Financial Officer	29-May-15						
21	(EX.53, 92, 109)	Commitments were not disclosed as the correct amounts in the financial statements due to incomplete contract register as well as the settlement of comparative figures.	Maintenance and monitoring of the Contract Register is not performed and required open on on monthly basis.	R 2 732 918.00	R 15 845 600.00	Contract Register to be monitored, updated and reviewed upon on monthly basis.	Accounting Officer and Chief Financial Officer	29-May-15						

[illegible]

AUDIT ACTIVITY:

2014/15 REMEDIAL ACTION PLAN TO THE FINAL MANAGEMENT REPORT - FOR MONITORING BY INTERNAL AUDIT UNIT.

Objective: To satisfy the requirement that INTERNAL AUDIT FUNCTION should provide a quarterly analysis and progress report on the implementation of action plans to the Audit Committee.

Instructions:

1. The quarterly report on the implementation of the action plans should indicate the nature, timing and extent of the implemented suggested corrective action.
2. The Directorate Leadership must make all staff aware of the proposed corrective actions per finding, since the finding should not be limited to the Senior Management responsibility alone.
3. The Internal Audit Activity, and the external auditors, obtain much assurance regarding the progress of the corrective actions when properties was monitored and reviewed. It is thus imperative that the quarterly action plan(s) to give evidence of such Senior's monitoring and review, jointly by signature.
4. The quarterly reports should be submitted for review to the Internal Audit Activity within 14 days after the end of each quarter reported on.

COMPLIANCE WITH LAWS AND REGULATIONS

FINDINGS PER AUDIT										ROOT CAUSE ANALYSIS										SUGGESTED CORRECTIVE ACTION										RESPONSIBILITY										TARGET DATE OR FREQUENCY OF IMPLEMENTATION FOR THE CORRECTIVE ACTION										INTERNAL AUDIT UNIT COMMENTS ON THE ADEQUACY OF QUARTERLY PROGRESS ON IMPLEMENTATION OF THE REQUESTED CORRECTIVE ACTIONS																				
No.																																																																						
Strategic planning and performance management:																																																																						
1	The municipality did not establish a performance management system, as required by section 36(a) of the MSA.										The Performance Management System was established toward the end of the financial year.										Monitor and develop the Performance Unit Report on monthly, quarterly, a bi-annually and annually.										Accounting Officer										Done.																													
2	A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by MPPMR 14(2)(b).										There was no Performance Management System in place, nor was there a performance Management Unit.										Council has appointed the new Committee as a Performance Audit Committee.										Municipal Council										Done.																													
3	The internal audit did not audit the results of performance measurement, as required by section 45(1)(a) of the MSA and MPPMR 14(4)(1)(a).										There was no Performance Management System in place, nor was there a performance Management Unit.										Quarterly Reports are assessed by Internal Audit.										Internal Audit Function										Quarterly																													
4	The internal audit did not assess the functionality of the performance management system, as required by MPPMR 14(4)(1)(b)(ii).										There was no Performance Management System in place, nor was there a performance Management Unit.										Quarterly Reports are assessed by Internal Audit.										Internal Audit Function										Quarterly																													
5	The external audit did not assess the extent to which the performance management system were reliable as general performance indicator, as required by MPPMR 14(4)(1)(b)(iii).										There was no Performance Management System in place, nor was there a performance Management Unit.										Quarterly Reports are assessed by Internal Audit.										Internal Audit Function										Quarterly																													

6	The internal audit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager (MPEMBA 154)(1)(c)	There was no Performance Management System in place, nor was there a performance Management Unit.	Quarterly Reports are assessed by Internal Audit.	Internal Audit Function	Quarterly				
7	The annual performance report for the financial year under review was not submitted for audit purposes, we were therefore unable to confirm whether the report was prepared as required by section 46 of the MSA and section 121(3)(c) of the MFMA.	There was no Performance Management System in place, nor was there a performance Management Unit.	Quarterly Reports are assessed by Internal Audit.	Internal Audit Function	Annually				
8	The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 52(1)(c)(ii) of the MFMA.	There was no system of monitoring compliance, and internal control.	Internal Audit Function has implemented a monthly Internal Control Reporting Tool to evaluate control adequacy and effectiveness and make appropriate recommendations.	All Management Personnel	Quarterly from second quarter.				
Budget									
10	Expenditure was not incurred in accordance with the approved budget and was incurred in excess of the limits of the budget, in contravention of section 13 and 87(8) of the MFMA.	Inadequate Planning Municipal needs analysis not performed Non adherence to the SDBIP	No even greater integration of the Risk Management Unit in the strategic and operational processes of the municipality as well as the risks in the early stages of exposure.	Accounting Officer and Risk Management Committee	30-Jan-15				
Annual report and annual financial statements									
11	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of liabilities, revenue, expenditure and financial statements reported by the auditors in the submitted annual financial statements were subsequently corrected, but the audit could not be proved resulted in the financial statements receiving a disclaimer of audit opinion.	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.	The Municipality has committed itself to preparing Financial Statements on a bi-annual basis in an attempt to address the Root cause.	Accounting Officer and the Chief Financial Officer.	12/02/2015 and 31 July 2015				
12	The 2012/13 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.	The municipality has in the current financial year established the Performance Management Unit (System).	Performance Management Officer	Once-off (Reports Quarterly)				
13	Overview report containing comments on the annual report, was not adopted by Council within two months from the date on which the 2012/13 annual report was tabled, as required by section 128(1) of the Municipal Finance Management Act.	This was consequent to the non-existence of the Oversight Committee in the previous financial year.	Establishment of the Oversight Committee.	Accounting Officer	31-Mar-15				
14	The local community was not afforded the opportunity to comment on the final draft of the Integrated Development Plan (IDP) before adoption, as required by section 42 of the MSA and Municipal Planning and performance management regulation 4, 13(1), 12(3)(c) and 16(3).	of planning/	ice with this	Accounting Officer	01-Jun-15				

Audit committee									
			Performance Audit Committee was established during the current financial year	Council	As per the Contract				
24	A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.							
25	The audit committee did not advise the council on matters relating to internal financial control and internal audit, risk management, covering policies, effective governance, performance management and performance evaluation as required by section 16(2)(a) of the Municipal Finance Management Act.	The Audit Committee reported only annually on limited matters, due to the recent establishment of the internal Audit Unit	The Audit Committee will report on the remaining three (3) Quarters.	Chairperson of the Audit Committee	Quarterly				
26	The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 16(2)(b)(v) of the Municipal Finance Management Act.	The Audit Committee reported only annually on limited matters, due to the recent establishment of the internal Audit Unit	The Audit Committee will report on the remaining three (3) Quarters	Chairperson of the Audit Committee	Quarterly				
27	The audit committee did not review the municipality's performance management system and/or make recommendations to the council, as required by Municipal Planning and Performance Management Regulation 14(2)(b)(i).	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.	The Audit Committee will report on the remaining three (3) Quarters	The Audit Committee will report on the remaining three (3) Quarters.	The Audit Committee will report on the remaining three (3) Quarters.				
28	The audit committee did not review the quarterly internal audit reports on performance measurement, as required by 14(4)(a)(ii).	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.	The Audit Committee will report on the remaining three (3) Quarters	The Audit Committee will report on the remaining three (3) Quarters.	The Audit Committee will report on the remaining three (3) Quarters.				
29	The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation 14(2)(b)(ii).	This was consequent to the non-existence of the Performance Management Unit (System) in the previous financial year.	The Audit Committee will report on the remaining three (3) Quarters	The Audit Committee will report on the remaining three (3) Quarters.	The Audit Committee will report on the remaining three (3) Quarters.				
Internal audit									
30	The internal audit function was not functional for the full 2012/2013 financial year	The Senior Internal Auditor was appointed during the financial year 2012/13	Resource, train and develop the Internal Audit Function (two (2) additional staff members needed)	Accounting Officer	31-Mar-15				
31	The internal audit division is not adequately staffed	The Organizational structure only allowed three (3) resources (Senior Internal Auditor, Internal Auditor and a clerk)	Resource, train and develop the Internal Audit Function (two (2) additional staff members needed)	Accounting Officer	31-Mar-15				
32	No quarterly reports were submitted to the Audit Committee during the financial year	The Senior Internal Auditor was appointed during the financial year 2013/14. The internal audit division is not adequately staffed.	Resource, train and develop the Internal Audit Function (two (2) additional staff members needed)	Accounting Officer	31-Mar-15				

Procurement and contract management									
33	Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) & (c).	Due to the cash constraint, the municipality mostly procured suppliers via, as a result this discouraged many prospective suppliers from doing business with the municipality.	Procurement office will sufficiently record all communications made with prospective suppliers in an attempt to source price quotations.	SCM Manager	30-Jan-15				
34	Quotations were accepted from prospective providers who are not registered on the list of accredited providers prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).		The appointment of additional members in the committees to ensure proper implementation of non-compliance which resulted into irregular expenditure should be escalated to the council committee for further investigation and condemnation.	CFO	31-Mar-15				
35	Bid advertisement was not always done by committees which were composed in accordance with SCM Regulation 20(2).	Lack of understanding and timing of management on regulations relating to supply chain management.	A training schedule should be drafted and implemented to ensure regular training of supply chain officials on a quarterly basis. A list of all procurements done outside the scope of the Law must be prepared with reasons for non-compliance and submitted for further investigation by a council committee.	Supply Chain Manager CFO	31-Mar-15				
36	Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids (fixed or that deviations approved by the accounting officer) were only if it was impractical to invite competitive bids, as required by SCM regulation 19(a) and 34(1).	Lack of understanding and timing of management on regulations relating to supply chain management.	A list of all procurements done outside the scope of the Law must be prepared with reasons for non-compliance and submitted for further investigation by a council committee.	Supply Chain Manager CFO	31-Mar-15				
37	Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).	The municipality does not have in place a bid specification committee and there are no formal processes followed when the municipality goes on tender to procure goods and services.	A bid specification committee should be established to ensure that proper specifications are developed for each bid prior to advertising.	Municipal Manager CFO	27-Feb-15				
38	The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such regulations 14(1)(b)(i) and 14(2).	Lack of proper systems in place to manage the operation of supply chain management database.	The Electronic System used to maintain supply chain database should be reviewed and updated. Record of such updates should also be kept and filed for evidence of update.	CFO/ SCM Manager	27-Feb-15				
39	Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids or that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM Regulations 19(a) and 34(1).	Lack of understanding and training of management on regulations relating to supply chain management.	A training schedule should be drafted and implemented to ensure regular training of supply chain officials on a quarterly basis. A list of all procurements done outside the scope of the Law must be prepared with reasons for non-compliance and submitted for further investigation by a council committee.	Supply Chain Manager CFO	31-Mar-15				

40	Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM Regulation 27(2)(a)	The municipality does not have in place a bid specification committee and there are no formal processes followed when the municipality goes on tender to procure goods and services.	A bid specification committee should be established to ensure that proper specifications are developed for each bid prior to advertising.	Municipal Manager/ CEO	27-Feb-15			
41	Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).		The filing of such specifications should also be properly organised					
42	Sufficient appropriate audit evidence could not be obtained that bids were evaluated by the evaluation committees which were composed of officials from the departments requesting the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2)		A filing schedule should be drafted and implemented to ensure regular filing of supply chain officials on a quarterly basis.					
43	Awards were made to tender other than those recommended by the bid evaluation committee without justification by the accounting officer, as required by SCM Regulation 28(3)(b)	Lack of understanding and training of management on regulations relating to supply chain management	A list of all procurements done outside the scope of the Law must be prepared with reasons for non-compliance and submitted for further investigation by a defined committee.	Supply Chain Manager/ CEO	31-Mar-15			
44	Contracts were awarded to bidders that did not score the highest point in the evaluation process, as required by section 21(1)(c) of Preferential Procurement Policy Framework Act							
45	Awards were made to providers who are in the service of the municipality and whose directors are in the service of the municipality in contravention of section 112(1) of the MFMA and SCM regulation 44. Furthermore the provider failed to declare that he/she was in the service of the municipality/finance entity, as required by SCM regulation 112(1). Similar non-compliance was reported in the prior year and the municipality did not take disciplinary action against the officials involved							
46	Awards were made to providers who are in the service of other state institutions or whose directors/ principal shareholders are in the service of other state institutions, in contravention of MFMA 112(1) and SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1)	Lack of appropriate systems, and processes to ensure a proper follow up of bids in order to determine whether bidders are not appointed otherwise.	The municipality should obtain access to state databases which disclose all employees appointed by the state. Supply Chain should implement a formal checklist which will be followed in order to ensure that all bids follow the necessary processes of verification required by regulations. All procurements made outside the requirements of the SCM should be documented with reasons and submitted to a council committee for further investigation and endorsement.	CEO/ SCM Manager	31-Mar-15			

47	Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by the code of conduct for staff members issued in terms of the Municipal Systems Act.	Lack of monitoring and the existence of a register of declarations of interest by officials and councillors of the municipality.	A register of declarations should be created and maintained to ensure that critical information is available to verify stakeholders in bid.	CC/SCM Manager	31-Mar-15				
48	SCM officials, other SCM role players who had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM regulation 40(2)(f).		All bids and bid processes should be reviewed by a compliance officer to ensure that the necessary critical legal provisions are followed prior to the award of the bid.						
49	Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters have been declared by the Bophuthatsi Revenue Service to be in order as required by SCM regulation 43.	Tax clearances have been mislaid	A list of all such bids should be compiled and the tax clearances be obtained and submitted to the Auditor General for audit purposes.	SCM Manager	27-Feb-15				
50	Sufficient appropriate audit evidence could not be obtained that contracts were only extended or modified after labbing the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.	Lack of monitoring and control management	The supply chain management unit should compile a list of such contracts, stipulating reasons for unauthorised extension of scope and submit to a council committee for investigation and endorsement of such transactions and expenditure incurred as a result.	SCM Manager	27-Feb-15				
51	Sufficient appropriate audit evidence could not be obtained that an extension or modification to contracts were approved by a properly designated official, as required by SCM Regulation 5.		An independent review should be done on the municipality's supply chain management processes, and improved controls be developed to ensure that the municipality complies with the regulations.	CFO	30-Apr-15				
52	The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.	Lack of monitoring and control management							
HR Management									
53	Though requires with Acting Human Resource Manager it was identified that no performance evaluations are performed for the municipal officials to ensure that their performance is in line with the objectives of the municipality and their job requirements. Furthermore this could be used as a performance bonus were paid out or performance appraisal performed by the municipality. Furthermore no proof could be obtained that the Performance Management System policy was approved.	This is due to lack of oversight by the audit committee and various portfolio committees as well as internal audit to ensure that the municipality has the necessary internal controls or policies in place.	Management should ensure that the policies are drafted, approved and implemented and communicated to all staff in the Municipality.	HR Manager	31-Mar-15				

54	The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff in fulfilment of MSA, sec 67(6).	This is due to lack of oversight by the audit committee and various portfolio committees as well as internal audit to ensure that the municipality has the necessary internal controls of policies in place.	Management should ensure that the policies are drafted, approved and implemented and communicated to all staff in the Municipality.	HR Manager	31-Mar-14				
55	It was confirmed through inspection of the personnel file of the acting CEO that he has been acting since 13 March 2013 to 15 April 2014. No documentary evidence could be located that the MEC for local government approved the extension of the acting period exceeding 3 months.	Proper record keeping is not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should investigate this matter and ensure that documentary evidence of these matters are made available for inspection. Controls should be put in place to ensure adherence to laws and regulations.	HR Manager	30-Jun-15				
56	The municipality did not assess the competency levels of the financial and SCM officials during the year to identify and address any gaps in their competencies.	The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	Management will ensure that the municipality complies with the Municipal Regulations on minimum competency levels and that the required reporting in this regard is done.	HR Manager	Reporting will be done as per the Regulation				
57	No proof could be obtained that the municipality had submitted the consolidated report on compliance with prescribed competency levels by 30 January 2014 and 30 July 2014 to the National Treasury and the Provincial Treasury.								
58	Through inspection of the Performance Report, the reflection on the compliance of the prescribed minimum competencies could not be identified.								
Expenditure management									
59	Agency owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(a) of the MFMA.	This finding occurred due to cash flow constraints causing delays in payments to suppliers.	The Municipality has embarked on a radical Revenue Collection Strategy to enhance the cash inflow for the financial year under review.	CEO	12-Jun-15				
60	An adequate management, accounting and information system was not in place which recognized expenditure when it was incurred and accounted for credits, as required by section 65(2)(b) of the MFMA.	There is no system in place to ensure that supplier invoices are captured on a timely basis when they are received from the supplier. Invoices are only captured on a delayed basis after the payment is made to the supplier, as confirmed by the expenditure manager. The expenditure manager was then allocated directly to expenditure votes in the general ledger. Trade payables are not kept up to date throughout the year and no supplier listing that reconciles to the general ledger is available throughout the year.	The following recommendations are made: • Supplier invoices should be captured on a timely basis as soon as they are received from the suppliers in order to update trade payables. Trade payables should be reconciled to the supplier statements on a monthly basis to ensure that any errors are identified and corrected. • Management should also ensure that invoices are captured on the system before making payments to the suppliers.	Expenditure Manager	21-Mar-15				

61	Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and trailers and wasteful expenditure, as required by section 62(1)(c) of the MFMA.	This matter occurred due to management not having sufficient controls in place to prevent trailers and wasteful expenditure.	Monthly Reports to be submitted are to the Internal Audit Function through Monthly Internal Control Monitoring Tool (Daabhaang). The establishment of the Council Committee to investigate, report and recommend appropriate actions to the Municipal Council.	Expenditure Manager, Chief Financial Officer and the Accounting Officer	30-Jan-15				
62	Municipal Infrastructure Grant funds were not used over to the next financial year without the approval of the National Treasury, as required by sections 2(1)(b) of the OCEA.	Municipal Financial Controller	Conditional grant received						
63			Funds will be paid back into the account, as it is not the responsibility of funds into the OCEA.	Accounting Officer and the Chief Financial Officer	31-Mar-15				
64	An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(b) of the MFMA.	Differences were identified between the sub-ledger and the main system, and a control system was not in place to ensure that the main system or otherwise, thereby causing material differences and thereby being misstated by an unknown amount in the annual financial statement.	Reconciliation of the sub-ledger accounts to the Control Accounts on monthly basis.	Revenue Manager and the Chief Financial Officer	27-Feb-15				
65	The municipality did not establish an investment policy that was adopted by council, as required by section 12(2) of the MFMA and municipal investment regulation 3(1)(a).	This is due to lack of oversight by the audit committee and various portfolio committees as well as internal audit to ensure that the municipality has the necessary internal controls or policies in place.	The municipality has established on a strategic vision to ensure an available policy to the Municipal Council and allow ample time to investigate and understand the necessary policies.	All management personnel	Annually				
66	An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.	The accounting officer does not establish oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	UDM manager of assets treasury, the technical and the necessary requirements, the whole asset register should be detailed. Therefore, the municipality, IMESA, Cogta and Provincial Treasury have joint forces to resolve the unbundling of these Assets and determine the appropriate value of these assets.	Provincial Treasury, Provincial Cogta, Edutec and Mathe Technical team	31-Mar-15				
67	An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.								
68	Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.	Consequence management							
69		This matter occurred due to management not having sufficient controls in place to prevent and detect irregular, unauthorised, and trailers and wasteful expenditure.	Monthly Report to be submitted are to the Internal Audit Function through Monthly Internal Control Monitoring Tool (Daabhaang). The establishment of the Council Committee to investigate, report and recommend appropriate actions to the Municipal Council.	Expenditure Manager, Chief Financial Officer and the Accounting Officer	30-Jan-15				
70	Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2)(b) of the MFMA.								

Environmental management

<p>7. The municipality identified five waste disposal sites without a waste management license in terms of conservation of section 20(b) of the National Environmental Management Act 2004 (NEMA) and the 59 of 2006 and section 20(1) of the Environmental Conservation Act, 1989 and No. 27 of 1989. This was disclosed in note 41 to the financial statements.</p>	<p>(Have you on finding by the Municipality of the waste sites)</p>	<p>Further 0 has been made available and</p>		
No.	SM Reviewed	Status	Date Acknowledged	
1	Accounting Officer	Pending		
2	Chief Financial Officer	Pending		
3	Director: Corporate Services	Pending		
4	Director: Planning & Infrastructure Services	Pending		
5	Director: Community Services and LEO	Pending		
6	Director: Services Delivery and Public Safety	Pending		

• **Not** incorporating the following, **must** have:

THE UNIVERSITY OF CHICAGO

- [illegible]

COMPLIANCE WITH LAWS AND REGULATIONS

[illegible]

[illegible]